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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

PART 2—(Pages 1-1288)

Advisory Council on Historic Preservation
Department of Agriculture
Department of Education
Department of Energy
Department of the Interior
Federal Inspector for the Alaska Gas Pipeline
Indian Health Service
Institute of Museum Services
National Endowment for the Humanities
Navajo and Hopi Indian Relocation Commission
Pennsylvania Avenue Development Corporation
Smithsonian Institution

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 23, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD-138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

STATEMENT OF HENRY A. BERLINER, JR., CHAIRMAN

ACCOMPANIED BY:
THOMAS J. REGAN, JR., EXECUTIVE DIRECTOR
ALEXANDER K. MILIN, FINANCIAL MANAGER

PREPARED STATEMENT

Senator MCCLURE. Good afternoon.

This is the time scheduled to review the fiscal year 1984 budget estimates for the Pennsylvania Avenue Development Corporation and for the Smithsonian Institution.

We will begin with PADC.

The fiscal year 1984 budget request for the Pennsylvania Avenue Development Corporation totals $16,275,000, an increase of $5,175,000 over the fiscal year 1983 appropriation.

Mr. Berliner, your opening statement has been included in the record. If you would introduce your associates, we will proceed directly to the questions.

[The statement follows:]

STATEMENT OF HENRY A. BERLINER, JR.

My name is Henry A. Berliner. Recently, the President appointed Arthur Fletcher, Carl Shipley, and myself to the Pennsylvania Avenue Development Corporation and designated Mr. Fletcher as Vice Chairman and myself as Chairman. With me today at the witness table to testify on behalf of the fiscal year 1984 budget request for the Corporation which has been submitted to the subcommittee for its consideration are two members of the staff: Thomas J. Regan, Executive Director; and Alexander Milin, Financial Manager.

As a native Washingtonian, I am honored to serve as Chairman as the Corporation begins its second decade of progress. In the cooperative spirit which motivates the Congress and the Corporation, I pledge to do all in my power to assist the subcommittee in its oversight and to answer any questions which you may have at any time. We are all particularly gratified that Max Berry, my predecessor, has agreed to remain on the board and to help continue the work of the Corporation which he has ably fulfilled these past 2 years.

The Corporation's requested budget authority for fiscal year 1984 totals $16,275,000. This request is divided into three appropriation categories: Salaries and expenses, $2,275,000; public development, $10 million; and land acquisition and development, $4 million.

The requested budget authority is needed to continue the development program already well underway in the public areas and on the squares adjacent to Pennsylvania Avenue. More specifically, the requested funds would be utilized for public improvements and land acquisition in the eastern portion of the Corporation's project area.

The salaries and expenses request of $2,275,000 provides funding for a staff of 39 employees on a full-time equivalent basis. This is the same staff size authorized for the Corporation in fiscal year 1983 (currently, the Corporation has 35 staff employees). Approximately 69 percent of the requested amount would be for the payroll and payroll-related costs of the staff, while the balance provides funding for office space, supplies, travel, printing, and related administrative expenses.

The public development request of $10 million is needed to complete scheduled public improvements work on the last major section of Pennsylvania Avenue not already under construction. Approximately $7 million of the requested $10 million will be applied to the avenue's Third to Sixth Streets project. These funds will augment currently available funding for this section of the avenue, and permit the rebuilding and resurfacing of the roadway; a realinement of the roadway at the intersection of Pennsylvania and Constitution Avenues; and the full array of improvements to the sidewalks bordering the avenue, including brick pavers, trees, street furniture, and lighting. The additional $3 million is for related public improvements work in fiscal year 1984, including initial construction work on the Indiana Plaza project.

The land acquisition and development request of $4 million is needed to provide the Corporation with additional resources with which to purchase real estate should prospective developers be unable to acquire properties themselves. The Corporation is encouraging the development of a number of sites in the eastern project area. The funding requested will be used for potential acquisitions on six squares in the project area which have been identified in the PADC plan as sites for a major residential community of 1,200 housing units.

The administration has endorsed the recommendations of a market and land use analysis completed by the Corporation in 1981. The results of this analysis, compiled into a volume entitled the eastern sector report, indicated that several key assumptions underlying the land use recommendations of the 1974 plan require reexamination. Specifically, the 1974 plan's market analysis underestimated the long-term potential of the sites east of the FBI Building for commercial office development.

The 1974 plan's market analysis did not give maximum attention to opportunities for utilizing existing structures in the redevelopment scheme for the eastern project area. The eastern sector report's land use recommendations call for a significant increase of the allowable office development in the project area, a 20-percent reduction in the planned number of housing units (from 1,500 to 1,200), and an approach to development that emphasizes retention of many functional and historic structures.

The recommendations of the eastern sector report reflect a current, realistic assessment of market potential, and urban design thinking. The increased office density recommended by the report eliminates the potential for the major Federal subsidy which would be required in implementing the housing program as described in the 1974 plan. The Corporation recommends the subcommittee's support of the land use recommendations of the eastern sector report.

In general, the Corporation's program is progressing toward its targeted completion date of 1992. During the current year, fiscal year 1983, the Corporation is completing two major public improvements projects, John Marshall Park and the 10th to 13th

Streets roadway and sidewalk project. The Willard Hotel restoration project is making progress; demolition of the west wall in preparation for the construction of the office building addition to the hotel will begin in July 1983 and major construction of the hotel project will commence by December 1983. Recently, Sears, Roebuck and Co. announced plans to establish its D.C. corporate offices in several historic buildings on square 460 now undergoing restoration. The Corporation anticipates that future office requirements and reduced cost construction financing for commercial and residential projects will accelerate the development program on other squares of the eastern project area as well.

This year the administration has submitted a proposed bill to the Congress which would increase the Corporation's authority to borrow from the U.S. Treasury and extend its authorization for salaries and expenses appropriations beyond fiscal year 1983. Enactment of such legislation is critical to the appropriation of the full amount of the fiscal year 1984 budget request now before the Congress for consideration.

On behalf of the board, I urge the subcommittee's support of the Corporation's $16.275 million budget request and the initiatives it is planning in the eastern project area in fiscal year 1984. Thank you.

INTRODUCTION OF ASSOCIATES

Mr. BERLINER. Mr. Chairman, my name is Henry Berliner, recently appointed as Chairman of the PADC. Appearing with me in support of the fiscal year 1984 request are Thomas Regan, Executive Director, and Alexander Milin, our Financial Manager.

LEGISLATION

Senator MCCLURE. Thank you very much.

As you know, Congress did not provide additional borrowing authority in the fiscal year 1983 appropriation bill as the required authorization did not pass the House. This year both the salaries and expenses and the land acquisition and development accounts require authorization. In the House, Congressman Seiberling has included the PADC authorization in a larger authorization bill having to do with the Park Service and the Forest Service.

Have you any indication from the House that they would be willing to consider your authorization separately in view of the need for action prior to markup of the appropriations bills?

Mr. BERLINER. We haven't had any direct contact with the Congressman on that. However, it is desirable from our point of view that it be considered separately if for no other reason than there is a distinction between Congressman Seiberling's bill and that which had been drafted by the administration, which has yet to be introduced in either the House or the Senate. But we are hopeful that that will get some consideration.

The major distinction lies not in the appropriation language, although there is a slight distinction there, but in a provision requiring congressional review of certain actions the Corporation wishes to take.

Senator MCCLURE. I think it might be helpful if you would communicate that to Congressman Seiberling and perhaps you could get that moving. We are going to move ahead on the authorization hearings here.

Mr. BERLINER. The House has already passed Congressman Seiberling's bill although we did in testimony communicate our preference for the administration's bill, and we would assume that it will have an opportunty for hearing before your committee.

SALARIES AND EXPENSES

Senator MCCLURE. For salaries and expenses, $2,275,000 is requested, a decrease of $75,000 below the amount provided for the current fiscal year. The savings are due to the fact that the Corporation has decided not to move to the Old Post Office. Additional funds were included in the fiscal year 1983 bill for moving costs. Do you plan to allow those funds to lapse?

Mr. BERLINER. We expect to return the funds, and as the expenditures are broken down, there is a direct reduction for transportation of things of $50,000. So we will be returning that money to the U.S. taxpayers just as we have in past years. I think in the previous year we returned some $270,000 that was unused, and we would continue to do that with this money.

Senator MCCLURE. You have not submitted a request for a pay supplemental. Will you be using a portion of the excess funds in the fiscal year 1983 budget to cover pay?

Mr. BERLINER. Yes; there will be no need for a pay supplemental, but we will be using a portion.

Senator MCCLURE. How much?

Mr. BERLINER. Can I defer to our Financial Manager?

Senator MCCLURE. Yes, sir.

Mr. MILIN. Approximately $50,000, Senator.

Senator MCCLURE. Would you provide for the record a list of equipment rentals and equipment purchases for each of the last 3 years?

Mr. BERLINER. Certainly, Senator.

[The information follows:]

EQUIPMENT RENTALS AND PURCHASES, FISCAL YEARS 1980–82

The list which follows details the equipment which the Corporation has either purchased or leased in the 3 prior fiscal years. It should be noted that some equipment is listed in both the leased and purchased columns, because the agency has followed the practice of first leasing equipment and then subsequently purchasing, if it proves beneficial and is cost effective to do so. Also noteworthy is the fact that leased equipment includes the telephones and related equipment the Corporation leases through GSA.

	Purchase	Lease	Amount
Fiscal year 1980:			
TV set	X		$88.75
IBM Selectric II (1)	X		914.00
IBM 5120 computer system	X		13,375.00
IBM mag card (II)(2)		X	3,396.00
Work desk and drawer	X		461.68
Xerox 3107 copier		X	3,000.00
Xerox 4500 copier		X	9,000.00
GSA telephone service		X	25,000.00
IBM mag card (II)(2)	X		12,804.48

	Purchase	Lease	Amount
Fiscal year 1981:			
Cannon NP 400 copier	X		$11,018.04
Microfiche FPM system	X		3,000.00
JTR/FTR system (microfiche)	X		497.00
Microfiche reader printer	X		1,833.27
3M microfiche reader (3)	X		371.92
42 lens (1)	X		154.75
42 lens (3)	X		185.04
Lens sleeve	X		38.52
Lens assembly (3)	X		315.00
Vidocomputer 128K:			
Model J1005–128	X		17,100.00
Model J105 (2)	X		5,510.00
Keyboard (3)	X		142.50
Printer	X		3,728.75
J100 com. cont			475.00
Victor calculator 670 (2)	X		598.00
Texas Instrument thermal printer code T043 (2)	X		159.00
Stackable visible drawers	X		451.40
Data stand	X		156.00
Data cart	X		94.50
OMNI dict. units (3)	X		1,266.84
OMNI transcript unit (2)	X		844.56
Vest pocket sec. (7)	X		1,362.55
Mini-dictation equipment M120 (5)	X		2,625.00
Transcription system M101 (5)	X		2,515.00
Portable system (9)	X		2,151.00
Auto mail opener M1225	X		721.00
Xerox M5600 copies		X	3,600.00
GSA telephones		X	10,000.00
Data equipment stand	X		115.00
Mag card II		X	1,350.00
Time-date stamp	X		277.00
Console	X		1,004.00
Chairs (5)	X		450.00
Texas Instrument calculator	X		89.40
Sound enclosure M1345 computer	X		349.00
GSA telehone service		X	10,000.00
Xerox 3107 copier		X	2,500.00
Xerox 4500 copier		X	7,500.00
IBM Selectric III (6)	X		4,962.00
IBM mag card II		X	3,600.00
Fiscal year 1982:			
Stackable visible drawers	X		604.80
Ledger cassette for copier	X		45.00
Insulated diskette safe	X		1,390.00
Xerox copier M5600		X	2,230.00
Add-on equipment to J100:			
Pertec MD3481	X		6,811.50
Controller M4100C–210	X		2,850.00
Cabinet M100L–02	X		807.50
Xerox 5600 copier	X		15,300.00
GSA telephone service		X	16,800.00

LAND ACQUISITION

Senator MCCLURE. New borrowing authority in the amount of $4 million is requested for fiscal year 1984. With the money available in the development fund, a total obligational level of $38 million is planned, which is almost $16 million in excess of the amount you plan to obligate this year. We understand that the primary reason for this increase

is the clearance by the Office of Management and Budget of your plans for the eastern sector. Will all of the $38 million be required for the eastern sector?

Mr. BERLINER. All of the money that is required will go for the eastern sector. Whether it will require the full $38 million we don't know. But that money is not directed to any other location.

Senator MCCLURE. It is not directed to any other location?

Mr. BERLINER. That's right. In other words, to the extent that the appropriation is requested it is only directed for the eastern sector.

Senator MCCLURE. How much do you estimate will be required for the eastern sector?

Mr. BERLINER. It won't exceed the request. We won't have to come back with a supplemental. But it is hard to know exactly what is going to be required until we see the condemnation suits, for example, if it is necessary to condemn land. But it will not exceed what is being requested. We won't be coming back again and asking for more.

Senator MCCLURE. I've heard that up here before. Not necessarily from you.

Mr. BERLINER. We have a very small agency, Senator, and our people are very conscientious. I don't think they have had to come back before.

Senator MCCLURE. Thank you.

Has the lack of additional borrowing authority in the current fiscal year impaired the Corporation's program?

Mr. BERLINER. No, sir, not at all. But I have to say that we really didn't have any acquisition program planned for the current fiscal year.

HOUSING IN THE EASTERN SECTOR

Senator MCCLURE. The revised plan for development of the eastern sector triples the amount of office space envisioned in the 1974 plan and reduces from 1,500 to 1,200 the number of housing units to be built. Will there be any effort on the part of PADC to encourage provision of some moderate-priced units, or will those decisions be left to the developers?

Mr. BERLINER. The PADC is committed to provide moderate housing and it would be totally foreign to the whole concept of the Pennsylvania Avenue development plan not to have people living on the avenue. The whole idea of our mixed residential use is to provide for people to live there, not just for condominium apartments for business executives who are only in town 1 week a month.

To answer your question, we will provide moderate housing on the avenue.

PUBLIC IMPROVEMENTS

Senator MCCLURE. $10 million is requested for public development, of which $6.9 million is for roadway and sidewalk improvements between Third and Sixth Streets. We understand that all road work is to be completed in December 1984. Is that the case?

Mr. BERLINER. That is correct, according to our present schedule.

Senator MCCLURE. As you know, there will be a Presidential inaugural parade in January 1985. Do you feel comfortable with the current margin for error?

Mr. BERLINER. Well, I'm never comfortable with a margin for error where acts of God or strikes are involved. But we have made an estimate as to what it would take to significantly advance that date, and by using two shifts basically two-thirds of the day or around the clock we can advance that date by 6 months with an expenditure of approximately $2 million. We are not asking that that be done, but we think that you should be advised that it could be done.

Senator MCCLURE. How soon would you have a better estimate of whether that would be desirable? Or will you have a better estimate.

Mr. BERLINER. If the Congress is prepared to appropriate the money we're prepared to spend it. June 1984 would be the date by which we could complete that construction as opposed to December.

Senator MCCLURE. There are a number of Members of Congress, at least several in this body, who hope to be riding in that parade, some one of whom may be successful. So I know that there is a great deal of interest up here.

Four hundred thousand dollars is requested for yearly maintenance costs of completed public improvement projects. Are these areas now under the jurisdiction of the National Park Service?

Mr. BERLINER. They are under our jurisdiction, Mr. Chairman. However, under the terms of a recent memorandum of agreement, the Park Service will maintain completed public improvements projects for a fee. The fee for fiscal year 1984 is approximately $400,000.

Senator MCCLURE. They have not been transferred?

Mr. BERLINER. No, sir.

Senator MCCLURE. If they will be transferred, how long will it be until they are? Or will they be transferred?

Mr. BERLINER. The completed projects will be transferred as soon as the Park Service and the Corporation reach agreement on the terms of the transfer of jurisdiction. The Park Service states that such a transfer is dependent on its receiving additional legislation authorizing funding for the maintenace of completed PADC projects.

Senator MCCLURE. But you have no current plans to push it?

Mr. BERLINER. Yes; we do. Under the terms of the same memorandum of agreement, PADC has agreed to work with the Park Service to seek such legislation or otherwise facilitate the transfer of jurisdiction.

Senator MCCLURE. Do you have any idea whether the Park Service would seek reimbursement if the areas are transferred to the Park Service?

Mr. BERLINER. The Park Service would not seek reimbursement if a transfer was effected.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you very much, Mr. Berliner. There are some additional questions which we will ask that you answer for the record.

Thank you very much for your appearance today.

Mr. BERLINER. It's a pleasure to be before you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Eastern Sector Development

Question: What is the anticipated time frame to get development underway in the eastern sector?

Answer: In actuality, two projects are already under construction on Squares 460 and 457 in the eastern project area. Those projects are the (1) Apex building project, which consists of the restoration for commercial use (by Sears, Roebuck and Company) of the historic Apex and Mathew Brady buildings on the corner of 7th Street and Pennsylvania Avenue, NW; and (2) the Gallery Row project, which consists of the construction of commercial office and gallery space behind a facade of historic buildings on Square 457. Another project, the mixed-commercial and residential Pennsylvania Avenue Triangle development, is scheduled to begin construction in late 1983 or 1984.

Nonetheless, a considerable amount of undeveloped land remains in the eastern sector. The Corporation's future activities will center on attracting development to sites on Squares 407, 408, 431, 432, 458 and the balance of 457. For many of these sites, the Corporation will be preparing development solicitation materials during FY 1983 and early FY 1984. Development can be expected to begin on several of these sites during FY 1984.

Question: Have there been any recent developments with regard to the Navy Memorial planned for Market Square Park?

Answer: On March 16, 1983, the Corporation's board of directors reviewed and approved a revised concept for a Navy Memorial in Market Square Park, in response to a request by Navy Memorial Foundation that a new concept be considered by the Corporation. The revised concept is that of a sunken plaza containing a performance facility and major sculptural elements symbolizing the Navy. The Board's approval carries with it the requirement that the Navy Memorial Foundation agree to a schedule of payments to the Corporation which provides for the construction of this plaza at the Foundation's expense. The memorial's construction will proceed only if the required timely payments are received from the Navy Memorial Foundation.

Indiana Plaza

Question: One million dollars is requested for design, drawings and initial construction at Indiana Plaza. What is the total estimated cost of this project?

Answer: The total cost of the Indiana Plaza project, included the $1 million requested as an element of the FY 1984 budget request, will not exceed $4 million.

Question: What is the completion date?

Answer: The Indiana Plaza project will be totally completed by FY 1987. This date is dependent upon substantial completion of surrounding development. The Corporation generally schedules public improvements abutting private development so that the public improvements are completed with the development.

Questions Submitted by Senator Charles McC. Mathias

Planning and Review Responsibilities

Question: Distinguish between PADC planning responsibilities and those of the National Capitol Planning Commission. Is PADC required to submit its development proposals to NCPC and the Commission of Fine Arts (CFA)? Does it do so?

Answer: Development proposals prepared by private developers within the PADC development area are not required to be submitted to NCPC. However, if PADC undertakes any development itself, then PADC must submit its development proposal to NCPC for "advise and consultation."

All development proposals, whether by private developers or by PADC, must be submitted to CFA for "comment and advise," if the projects are fronting on Pennsylvania Avenue between the Capitol and the White House. (Shipstead-Luce Act, 1930)

Question: What does the NCPC/CFA review process contribute to PADC development proposals? Have PADC proposals been revised very often as a result of this Federal planning and design review process?

Answer: CFA's review process contributes to PADC development proposals indirectly because it is a review body known for requiring a high standard of architectural design. CFA's review process generally results in design revisions before PADC gives final project approval.

NCPC, as stated above, does not review development proposals by private developers, and PADC has not undertaken any development itself.

Question: Has this review process contributed to delay in construction timetables and in project cost increases or decreases? If so, please document any notable examples.

Answer: So far, no development project has been delayed by the review process. Also, there has been no project cost increase or decrease that is directly attributable to this review process.

Question: Does PADC review development proposals for their plan conformance and design merit?

Answer: PADC reviews development proposals for their conformity to the Pennsylvania Avenue Plan - 1974, as amended, as provided in The Pennsylvania Avenue Development Corporation Act of 1972 (Public Law 92-578, October 27, 1972, to U.S.C. 871, et seq .) which states in part ... "Activities under the development plan shall be carried out in accordance with the approved development plan." The Pennsylvania Avenue Plan - 1974 is that plan, which was formally approved by the Congress of the United States in 1975.

Development proposals must be reviewed for design merit to the extent that design is addressed as a criteria in the Plan. Section 5(a) of P.L. 92-578 provides that "The Development Plan for the development area shall include, but not be limited to ... (2) criteria for the design and appearance of buildings, facilities, open spaces, and other improvements." In addition, the Corporation's board of directors and staff have always been committed to attracting the very best design to Pennsylvania Avenue. It is the Corporation's position that Pennsylvania Avenue, given its historic and symbolic importance as the nation's "Main Street," should reflect high standards of design. To this end, prospective developers have been made aware of the need to propose projects that are above-average in the quality of their design.

Question: Distinguish between the design review responsibilities of PADC and the Commission of Fine Arts.

Answer: CFA's responsibilities address the exterior appearance of a building. It sets standards for the height, mass, texture, and material of a proposed building.

PADC's design review responsibilities are somewhat broader and more specific than those of CFA. In addition to setting forth specific design parameters and reviewing a development proposal's compliance with these design parameters, PADC also reviews several other aspects of a development project such as the energy conservation measures incorporated into the design of

a project, provisions for the physically handicapped, and life safety features of a building in case of fire and other emergencies.

Question: Describe acquisitions or firm acquisition offers which have occurred in the six block residential sector which will result in the development of housing. What are the proposed residential uses of development proposals for that section in terms of units, rental and sales levels?

Answer: Two developers aware of the housing element in The Pennsylvania Avenue Plan - 1974 have acquired land in the six-block residential sector and have expressed interest in presenting proposals for mixed-use development, including housing, to the Corporation. However, neither developer yet has submitted a complete development proposal. At this time, it is not known whether the residential units will be rental or sales units. The rent levels or sales prices will be determined by the developer, and will largely be a reflection of the housing market at the time the units are available for lease or sale.

There is a firm commitment for 196 residential units on Squares 459 and 460 (between 6th and 7th Streets and Pennsylvania Avenue and Indiana Avenue). This project is being developed by the Westminster Investing Corporation and includes, beside the housing, a hotel, retail and an office building. Construction is scheduled for late 1983 or early 1984.

Question: What is the proposed timetable for submission to PADC of a residential development proposal(s) and submission by PADC of the same to other Federal review bodies?

Answer: The earliest submission may come this spring from one of the two developers referred to in the above question, who has stated his intention to submit a proposal by mid-May of this year. Subsequent proposals are not expected to be forthcoming until some time in FY 1984. Submissions of proposals to the Commission on Fine Arts will follow immediately after their approval by PADC, but only if the proposal is for a project fronting on Pennsylvania Avenue (Shipstead - Luce Act).

Note that the Westminster Project on Squares 459 and 460 has already been approved by PADC and CFA.

Question: Does the Corporation foresee several developers for the residential sector? Does the Corporation anticipate the residential sector development will be proposed as a comprehensive development for all of the squares in that sector or will it be proposed in stages?

Answer: The Corporation foresees the six-block area developed by several different developers in stages. The Plan amendments and square guidelines will assure that the area will be developed in a comprehensive manner even though there may be different developers and architects.

- - -

Question: Is the Pennsylvania Avenue Plan in need of revision? If so, describe revisions which the Board feels are necessary and the timetable for adoption by PADC and other Federal review bodies.

Answer: In 1980, the Corporation undertook comprehensive study to determine whether The Plan was still current, in view of the passage of time since it was first prepared and the possibility that it required updating. This study, managed by the staff but inclusive of the imput of experts in real estate feasibility and urban design, concluded in 1981 that some changes in land use objectives were needed. These recommended changes are contained in a volume entitled The Eastern Sector Report, and has been furnished previously to the subcommittee. The recommended changes, which have been adopted by the Board as of fall, 1982, call for greater retention of existing structures, a small decrease in the number of and size of recommended residential units, and a substantial increase (three-fold) in the potential for office space in the eastern project area. Realization of these changes will mean that the program will not rely on a large Federal subsidy which otherwise would be necessary in bringing over 1,000 residential units in the eastern sector, and will mean further that some outdated urban design concepts contained in The Plan will not be forced upon future developers.

No further revisions are deemed necessary by the Board at this time. The magnitude of change described in the preceding paragraph does not, according to P.L. 92-578, require the approval of the Executive Department, the Congress, or other Federal review bodies. However, the final recommendations contained in the Eastern Sector Report drew upon and incorporated many public and private comments concerning prospective development in the project area, including comments of other Federal agencies.

Question: Has the Corporation received expressions of interest from foreign missions in locating office, embassy, or staff housing space within the development area? Describe. Does The Plan permit such uses? If so, what is the total envelope of such uses permitted?

Answer: Other than the Canadian Government, no other foreign government has expressed a serious interest in locating in the PADC project area. The Canadian Government will be constructing a new chancery on a site on Square 291, having purchased this site with the Corporation's assistance in 1978.

The Plan does permit commercial office use as well as intitutional uses. Also, there is no provision in the Plan that would prohibit embassy or staff housing of foreign missions.

Because of the non-specific nature of the office/institutional land use component of the Plan, there is no specific envelope for embassy uses. However, given the potential for over 5 million square feet of new office space in the project area, some of the space could be occupied by foreign missions.

Question: Has the Corporation initiated any discussions with the Department of State about the potential for such uses within the development area? Describe.

Answer: PADC has not initiated any discussions with the Department of State. However, the Department of State did refer the representatives of Canadian Government to PADC when the Government of Canada was seeking a site for its new Chancery.

Question: How many foreign missions have firmly committed themselves to locating any of the above uses within the development area? Describe.

Answer: Only the Government of Canada has firmly committed itself to locating its new Chancery in the project area. It will be located on Pennsylvania Avenue between John Marshall Place and 6th Street, NW.

Question: I'm sure the Board is aware of the havoc which the Corporation's reconstruction of Pennsylvania Avenue has wreaked in terms of traffic delays, reroutings, pedestrian inconvenience, and business loss. Your budget request indicates we can expect more of the same in the coming years only closer to Capitol Hill (Pennsylvania Avenue/ Constitution Avenue intersection). What steps is the Corporation taking to ameliorate these problems which the reconstruction of the Avenue entails.

Answer: Recognizing that the complete rebuilding of the roadway and sidewalks of the Avenue creates unavoidable inconveniences, the Corporation has programmed a work effort aimed at allowing the maximum possible volume of traffic to flow at all times. This is accomplished by undertaking construction of the roadway so that a minimum of six traffic lanes are always open (by having no greater than one-third of the width of the roadway under construction at any one time). Additionally, the movement by PADC contractors of equipment and supplies into the job site occurs in the nonpeak hours of the day, so as to avoid any unnecessary interference with traffic flows. Furthermore, the Corporation and the District of Columbia Government work closely

in developing plans to minimize the effect of proposed work on traffic and adjacent business establishments.

As of fall, 1983, the majority of the Avenue's roadway work will have been completed. Only the 3rd to 6th Street portion of the roadway will remain on the construction schedule thereafter. This section of the roadway will be completed by December, 1984. PADC is investigating ways to compress this schedule. For all remaining roadway and sidewalk projects on its schedule, the Corporation will do everything in its power to minimize the disruptive effect on traffic flow and business operations.

Question: The 1974 Plan called for up to one million square feet of underground storage space for the National Archives and Records Service. What is the status of this proposal?

Answer: The Office of Management and Budget had stated in 1981 that it had no intention to fund this project in the future. When, in addition, the FY 1983 GSA budget did not include funds for the National Archives and Records Service storage space at Market Square, the Corporation's Board of Directors took action to eliminate further planning for this facility.

Question: What are the Board's current thoughts regarding ways to better attract and transport visitors to the Mall and to the nation's "Main Street?"

Answer: One of the Corporation's principle objectives is to stimulate along the north side of Pennsylvania Avenue retail, hotel and residential land uses which, through their visual appeal and interplay, contribute to making the Avenue a lively and desirable destination point for visitors. The public improvements program contributes to this effort as well because the Avenue, when completed, will have attractive landscaped sidewalks with brick pavers, double and triple rows of trees, street furniture and enhanced pedestrian lighting for evening foot traffic. In addition, restaurant and theater uses along Pennsylvania Avenue are planned, which will extend life on the Avenue beyond the 8 hour business day.

It is hoped that by creating an exciting and interesting community on Pennsylvania Avenue that a symbiotic relationship will develop between the Avenue and the Mall, whereby each is supportive of the other's activities. In addition, the Corporation expects that the completed Avenue project area will serve as a "bridge" from the Mall to the retailing opportunities along F Street in the old downtown, thus breaking down the physical and psychological barrier that seems to exist between the two areas.

There are three particular "bridges" that we are developing. The first is the Seventh Street corridor where we are fostering

an arts presence to link the Portrait Gallery and the National Gallery. The Gallery Row project at Seventh and D Streets is intended for art galleries and commercial art related retail.

The second bridge is at 12th Street at the Old Post Office. PADC has worked closely with GSA, the retail developer and the Park Service to include the Avenue as a destination point for tourists. There is no doubt that the retail and the clock tower will bring people off the Mall to the Avenue.

The third bridge is at 14th Street. Western Plaza and Pershing Park will become prominent public spaces once the Marriott and Willard Hotels open. These hotels, coupled with the Rouse Shopping Mall and a restored National Theatre, will ensure day and night activity on the Avenue.

In short, the Corporation feels that physical and economic improvements to the Avenue and its adjacent squares will, in and of themselves, attract an increased flow of visitors to it and to the Mall, and even to a future rejuvenated business district north of the Avenue.

SMITHSONIAN INSTITUTION

STATEMENT OF S. DILLON RIPLEY, SECRETARY

ACCOMPANIED BY:

PHILLIP S. HUGHES, UNDER SECRETARY
DAVID CHALLINOR, ASSISTANT SECRETARY FOR SCIENCE
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THEODORE H. REED, DIRECTOR, NATIONAL ZOOLOGICAL PARK
JON E. YELLIN, DIRECTOR, OFFICE OF PROGRAMING AND BUDGET

PREPARED STATEMENT

Senator McCLURE. I might say to my friends in the Smithsonian Institution there is a vote in progress on the floor of the Senate. Before we pick up your portion I'll go and respond to that rollcall and I'll be right back.

[A brief recess was taken.]

Senator McCLURE. The subcommittee will come to order.

Before I proceed, I was instructed as I came back from the floor of the Senate by Senator Garn, who is a Regent of the Institution, to extend his greetings to you and say he is for every dime you request. [Laughter.]

Now that I have conveyed that message we will ask what you are asking for.

If you would introduce your colleagues at the table, your entire statement will be placed in the record and then we can proceed to questions.

[The statement follows:]

STATEMENT OF S. DILLON RIPLEY

Mr Chairman, it is my privilege to appear again before your Subcommittee to testify on behalf of the Smithsonian's FY 1984 budget request. I would first like to express my deep appreciation to you and the members of the Subcommittee for your support of the programs, activities, and operating needs of the Institution. With the funds provided by the FY 1983 appropriation, we have been able to maintain the essential level of program and support operations this year, and to proceed with the inventories of our collection, the upgrading of security throughout the Institution, the revitalization of exhibit spaces in the National Museum of American History, and the restoration and renovation of our physical plant.

I am particularly grateful for your vital support of our Quadrangle project in FY 1983 and for your consistent support of the new Museum Support Center in Suitland, Maryland. Without the foresight and assistance of the Subcommittee, neither of these great undertakings--so important to achieving our goals of increasing intercultural understanding and caring for the National Collections--would be a reality. Because of the significance of these projects, I would like to report on the exciting progress that has been made during the past year on Quadrangle development and Museum Support Center construction and operations before addressing the specifics of our FY 1984 budget request.

Quadrangle

The February issue of the Smithsonian magazine, copies of which have been provided to the Subcommittee, included an article explaining to our Resident and National Associates the concept and plan for the Quadrangle. If I may, Mr. Chairman, I would like to reiterate the Quadrangle concept as written in my introduction to the article.

> "For 137 years, the Smithsonian's scholars and scientists have explored and shed new light upon the history and art of the United States, and upon the cultures of people throughout the world from the earliest times to the present. But there is an important area to which we have been unable to do full justice: that vast and rich array of civilizations stretching from the Atlantic coast of Africa, across to the eastern Mediterranean, and east to the shores of the Pacific.
>
> The Smithsonian's interest in these civilizations is of long standing. For decades Smithsonian art historians, archaeologists and ethnologists have worked in these areas; our Freer Gallery of Art is the most important museum in America specializing in the art of the Near East and Asia, and recently we were pleased to accept from Congress responsibility for the National Museum of African Art. But at a time when an understanding of non-Western cultures has assumed new urgency, we have come to realize that our existing facilities are inadequate to meet the growing need.
>
> We are therefore beginning a major new project: the Center for African, Near Eastern and Asian Cultures, which we call the Quadrangle....
>
> We need reminders of the civilizations of the two-thirds of the world that are not Western: of the medicine, astronomy and mathematics we owe to the Arab world, of the inventiveness of the Chinese, of the creativity of the African nations, of the persistence of faith among the Jews. Museums can provide such reminders in very special ways. In a museum things are laid out, explained, shown tangibly so that one can see them, indeed often touch them, in a manner that is direct. The experience is more personal than what the television or movie screen can provide, more immediate even than reading. The Quadrangle will give our 25 million visitors each year (as well as all of those who see our traveling exhibitions across the land and in other countries) an opportunity to come into touch with the great cultural achievements of these vibrant peoples. Emphasizing both the rich diversity of these civilizations and the underlying brotherhood of

mankind, the new Center will make an important contribution to the global understanding on which our future depends.

But the Quadrangle will not simply be an exhibit space. It will be an international center for research and symposiums, a center for the exchange of ideas between cultures. As an apolitical showplace and forum, it will provide a meeting ground in which visitors from both worlds can gather in an atmosphere where all can feel at home. James Smithson spoke of his hope for the increase and diffusion of knowledge among all men. This institution was to benefit all, not merely Americans - but how better to benefit Americans than through this Center, a living force for illumination and hope?"

Gift of Dr. Arthur M. Sackler

Almost simultaneous with the passage of the Quadrangle appropriation last year, we were extraordinarily fortunate to receive from Dr. Arthur M. Sackler a pledge of $4 million toward the construction costs and a extraordinary gift of approximately 1,000 works of art, conservatively valued at more than $50 million, which will be housed in a new gallery bearing his name. The gift includes 153 Chinese bronzes from the Shang (circa 1523-1028 B.C.) through the Han (206 B.C. - A.D. 220) dynasties, 68 Chinese paintings from as early as A.D. 960 into the 20th century, and outstanding examples of Chinese lacquer. The donation also includes large groups of metalwork pieces and sculpture from the Near East, India, Cambodia and Thailand. The Sackler objects have been selected carefully and complement the Freer collections extremely well.

QUADRANGLE STATUS REPORT

Construction

The Institution has received all necessary approvals to proceed with construction. We are now working with the Fine Arts Commission on the final details of the landscaping plans. Site preparation already has begun with the relocation of shrubbery and trees (mainly to the Museum Support Center), the relocation of utility lines that pass through the Quadrangle, and the erection of necessary fences.

With construction plans and specifications completed and printed, invitations to bid on construction were issued on February 22, 1983. Public opening of the bids is scheduled for April 26. The construction period is expected to take 30 months, beginning this summer and ending early in calendar year 1986.

Fund Raising

I am most pleased to report that we have made considerable progress--stimulated by the receipt of the Federal share of funds--toward achieving our goal of raising the nonappropriated share of $37.5 million. To date, we have received approximately $30 million in cash and pledges from domestic and foreign corporations, foundations, individuals, foreign governments, and in commitment of the Institution's nonappropriated Trust funds. A further sum of $4 million in individual donations is in the final stages of negotiation. A measure of the widespread support for the project from individuals across the country can be seen in the response to our recent appeals to our Resident and National Associates. Thus far, we have received over $1.1 million from more than 27,000 people who have donated an average of $40.00 each. We are very proud of these individual contributions. To us, this excellent response particularly in stressful economic times underscores the importance of our efforts to transcend international divisiveness and encourage appreciation for the universal achievements that unite mankind.

Program Development

The Quadrangle complex, in addition to housing the Sackler Gallery and providing space for the National Museum of African Art, will also make available facilities for the Resident and National Associate Programs, the Smithsonian Institution Traveling Exhibition Service and an International Center in its

363,000 gross and 203,000 net square feet. Annual operating costs for these activities are anticipated to total $30 million by FY 1988, of which approximately two-thirds will be derived from nonappropriated Trust funds. This figure is consistent with that included in our latest "Five-Year Prospectus" and will be updated during the next three years as we approach occupancy.

In December 1982 we took two further steps in the program development of the Quadrangle project, establishing a new Center for Asian Art and two standing committees for the art and cultures of Asia and Africa. Embracing both the Freer Gallery of Art and the future Sackler Gallery of Art, the new Center for Asian Art--a new line item in our FY 1984 request--will be under the direction of the Director of the Freer Gallery of Art. This administrative arrangement has been made in order to assure a coordinated approach to the Smithsonian's programs for the study and display of Asian Art while at the same time encouraging the development and maintenance of a distinctive character for each. The Committee for Asian Art and Culture and the Committee for African Art and Culture will forge a closer working relationship between the National Museum of Natural History/Museum of Man, which contains numerous objects of African and Eastern ethnographic interest, and the Center for Asian Art and National Museum of African Art respectively. The two committees will exchange information on planned exhibitions, research projects, acquisitions and seminars.

MUSEUM SUPPORT CENTER - STATUS REPORT

The construction of the Museum Support Center in Suitland, Maryland, was substantially completed in January 1983. Following adjustments and testing of the fire alarm system, air handling systems and other plant equipment, the Smithsonian will approve acceptance of the facility, now anticipated for early April. During the initial period of occupancy, adjustments to the plant and equipment will continue, the process of installing the storage and laboratory equipment, relocating staff, and moving the collections into the Center will be initiated and the security system will be completed. Using the $500,000 and 28 positions appropriated by the Congress in FY 1983 and the additional reprogramming authority, essential mechanical maintenance and security personnel already have been brought on-board.

Equipment and Move

Since FY 1980, the Institution, in association with the General Services Administration, has been overseeing the design of specifications for the collections storage systems to be located in the Museum Support Center. To date, a sum of $8.0 million has been appropriated for this equipment and a further $2.8 has been appropriated for laboratory and other equipment. In FY 1984 we are requesting $2.4 million for the modular, three-tiered storage equipment and $1.5 million to complete the purchase of laboratory and other equipment. Using the appropriation provided in FY 1981, the GSA awarded in September 1982 a contract for fabrication of a storage system for "wet" collections (those stored in alcohol or formaldehyde solutions) of the Oceanographic Sorting Center and the National Museum of Natural History. The installation of this equipment is scheduled to be completed by November 1983 with the move of the "wet" collections occurring shortly thereafter. The solicitation of bids for the three-tiered modular system is set tentatively for mid-April.

According to our current schedule, the move of the collections of the National Museum of Natural History/Museum of Man and National Museum of American History to the Center should be completed in about three years. The scheduled program of equipment procurement and installation, which we have worked out in great detail, is the keystone to accomplishing an efficient occupancy of the Center.

With the $6.0 million appropriated to date, we will purchase storage equipment that will hold the Anthropology, Entomology and Invertebrate Zoology collections. The FY 1984 storage equipment request of $2.4 million will be used for the Vertebrate Zoology collection and the appropriate collections of the National Museum of American History. The anticipated FY 1985 appropriation will be used to purchase equipment for the collections of Botany, Mineral Sciences and Paleobiology.

To help finance the equipment requirements, we are using approximately $750,000 of our nonappropriated Trust funds for specialized conservation equipment, and in future years we will redirect rental funds presently used for the Oceanographic Sorting Center, whose collections will be housed at the Center.

FY 1984 BUDGET PRIORITIES

The Smithsonian's FY 1984 budget request is a reflection of our continuing commitment to care for the National Collections and the facilities which house them. The request is a stringent one that recognizes the need for significant progress in the move of the collections to the Museum Support Center and the establishment of the core staff to be located there. In addition, we are determined to carry out successfully other projects undertaken recently with the encouragement of this Subcommittee: accelerated inventories of our collections, revitalization of exhibit spaces in the National Museum of American History, strengthening of management using the technology available through automation, upgrading of our protection program by means of a comprehensive effort to upgrade security equipment throughout the Institution, and continued restoration and improvement of our physical plant. The request also includes additional resources to support more adequately the Institution's scientific endeavors, and to respond to the demand for more comprehensive and improved research literature on African art and to care for African art and ethnology collections. With construction scheduled to begin early this summer on the Quadrangle project, a small sum is being sought to prepare for the acquisition and exhibition of the exquisite collection of Asian art donated by Dr. Arthur M. Sackler.

The only item in our FY 1984 budget request which can be interpreted as a "new start" is one that we believe we have a special responsibility to propose. It pertains to the establishment of a program to loan to other institutions a substantial portion of the generous bequest of Joseph H. Hirshhorn for exhibition and study purposes. Through this program, the richness of the National Collections would be shared with people throughout the United States who are unable to view them in Washington, D.C., supplementing our other efforts in this regard mainly through our Traveling Exhibition Service.

I am pleased to note, Mr. Chairman, that we have been able to continue to use the Institution's nonappropriated Trust funds for programmatic purposes, despite these difficult economic times. Our most substantial continuing commitment is the annual allocation, increased in the current year from $2.0 to $2.2 million, for the Collections Acquisitions, Scholarly Studies and Educational Outreach Program, a program first approved by the Board of Regents in FY 1978. Beginning in FY 1979, the Board of Regents approved using the Institution's unrestricted Trust funds for our visiting research and fellowship program and the proportionate Trust fund share of rental costs of administrative units in L'Enfant Plaza, funded in part from rental payments by auxiliary activities occupying space on the Mall. In FY 1983 $1.6 million will be applied to these programs and for FY 1984 $1.7 million is projected, of which $1.2 million is designated for the visiting research and fellowship program and over $500,000 for rent. This represents an increase of 67 percent since FY 1979 when $1.02 million were provided to these programs. A further $1.2 million in unrestricted Trust funds is being reserved for the Quadrangle Development project in FY 1984, in addition to the approximately $6.3 million that has been set aside to date for planning and construction.

SALARIES AND EXPENSES

For FY 1984, the Institution's request for the Salaries and Expenses appropriation totals $154.4 million, a modest net increase of $5.2 million over the FY 1983 base. We are seeking $4.0 million for items that are generally beyond our control, including rent, legislated pay increases, inflation, and the full-year costs of the positions restored by the Congress in FY 1982. We are requesting a net $1.2 million in program increases. (Taking into account the elimination of one-time increases totalling $3.7 million appropriated in FY 1983, our gross requested program increase is $4.9 million.)

The following discussion of our proposed FY 1984 increases relates to the gross amount of $4.9 million. As discussed above the Museum Support Center's construction has been completed and occupancy plans have been established. An overall resource request of $8.5 million is proposed for the Center to support the major portion of staffing requirements, a further increment of storage, the final stage of laboratory and other equipment, and the second of three increments for the move. The FY 1984 request for the Center represents a gross $2.1 million increase over the FY 1983 appropriation. To date 36 positions and $1.8 million have been provided for initial staffing needs. An additional 80 positions and $2.0 million will be needed in FY 1984 for program direction, to staff the Conservation Training Program and to provide buildings management, protection and other support services. These resources are absolutely essential to the effective functioning of the Center and its programs. Our "Five-Year Prospectus" indicates that a further 29 positions will be needed through FY 1988 to complete staffing requirements.

A second application of the increases sought in this year's request is to continue the effort initiated in FY 1983 to upgrade the Institution's security system. We are very appreciative of this Subcommittee's support in allowing us to begin a major security equipment acquisition and replacement program in FY 1983 with an addition of $1.7 million. We estimate that a total of $3.0 million will be required to complete this program over the next several years. Toward this end, a further increment of $480,000 is requested in FY 1984 for the purchase of perimeter security and closed-circuit television devices. The keystone of our security upgrading program, to be accomplished by FY 1990, is the conversion to a proprietary alarm system that will give faster response times to security and fire protection alarms and eliminate reliance on leased equipment.

In support of research, additional funding of $805,000 is requested for four science bureaus. This support is needed to establish scientific equipment replacement programs (at the Smithsonian Astrophysical Observatory, the National Museum of Natural History/Museum of Man and the Smithsonian Tropical Research Institute), to defray the higher cost of publishing time-sensitive research results (at the National Museum of Natural History/Museum of Man, Smithsonian Tropical Research Institute and National Air and Space Museum), and to establish a stable core of administrative staff (at the Smithsonian Astrophysical Observatory) to accomplish the ongoing support functions regardless of fluctuations in grant and contract activity.

Under the category of management improvements, following through on the establishment during FY 1982 of a central Office of Information Resource Management to provide overall planning, direction and technical support of information resources throughout the Institution, we are seeking an addition of $750,000 for four purposes. Adding to the appropriation of $275,000 provided for Smithsonian Library automation in FY 1983, a further $275,000 will permit the initiation of an integrated, automated system to include the full range of library functions including acquisitions, cataloguing, information retrieval, and administrative reports. To begin improvements in the computer-based programs for maintaining and adding to inventory records and increasing accessibility to them by curators and the interested public, $250,000 is sought. A sum of $100,000 is needed to improve automated accounting reporting. The final portion of this automation request, $125,000, is proposed to extend the computer-to-computer communications network in the Institution and to establish an automated office training laboratory.

As part of our continuing effort to improve facilities management, we are requesting an additional $390,000. Of this $140,000 would enable our Office of Design Services to expand its base capability to contract for intermittent architectural/engineering or other specialized services, thus expediting the flow of work while holding down the need for additional staff. We are also seeking $150,000 to improve our capability to operate and maintain the complex heating, ventilating and air conditioning system at the Cooper-Hewitt Museum in New York. To allow the Zoo's staff to concentrate more on routine maintenance of buildings and grounds, an additional $100,000 is requested for specialized contractual services for utilities systems and grounds maintenance.

With the recent recognition of African Art as a major art tradition, there is a demand for more comprehensive and higher quality reference and research literature. The increase of $50,000 that we are seeking for the National Museum of African Art will be used to facilitate research on African art by development of a "Union Catalogue" of all of the African holdings that are presently dispersed in the collections of several Smithsonian museums. To care for an important collection of West African textiles which are of artistic interest to the Museum of African Art and ethnographic interest to the National Museum of Natural History/Museum of Man, an increase of $35,000 is sought to fund a new curatorial position for the African art and ethnology collections in both museums.

For the Quadrangle, we do not anticipate the major portion of new operating expenses to occur until FY 1986. Nonetheless, a small but essential increase of $100,000 is proposed in this year's budget to prepare for the receipt of the Sackler collection. We are seeking funding to support the salary of an assistant director for the Sackler Gallery and to purchase essential equipment for collection storage. The assistant director is needed urgently to meet the needs of the initial receipt, registration and care of the approximately 1,000 art objects in the Sackler gift.

We have two items of increase in this request that depart from our dominant theme of care and maintenance of the National Collections and Smithsonian facilities. These relate to our responsibilities to extend to the people of this country who are unable to visit Washington the opportunity to view and study Smithsonian collections in their home community and also to improve the quality of information services available to visitors to the Mall. As mentioned above, taking advantage of the opportunity provided to us by the very generous Hirshhorn bequest, a sum of $200,000 is proposed to establish a loan program for the exhibition and study of a substantial portion of the Hirshhorn bequest. We also are seeking an addition of $80,000 for our Visitor Information and Associates Reception Center which will be used to provide an adequate support base for the Center.

Although we are not seeking additional resources for the special Collections Management/Inventory and the Major Exhibition Programs, the continuation of these efforts are of utmost importance to the Institution. These programs have been supported consistently by this Subcommittee, making possible our achievements over the past few years. With resources first provided in FY 1979 as supplemented by base resources, we will be able to complete our goal of collecting and recording data by June 1, 1983 on the vast collections for the National Museum of Natural History/Museum of Man, the National Museum of American History and the Cooper-Hewitt Museum which had never before been inventoried. As we explain in more detail in our budget document, a continuing effort to refine inventory data and to reconcile it with existing collection records will ensue and therefore it will be critical for the same level of support that has been provided by the Collections Management/Inventory Program to continue in FY 1984 and in succeeding years.

Similarly, we are seeking to continue the Major Exhibition Program in FY 1984 and beyond to support the comprehensive upgrading of the exhibit spaces in the National Museum of American History and selected major exhibitions elsewhere in Smithsonian museums. Since FY 1981 when the Program was initiated, we can point to considerable accomplishments which also are described fully in our request. In future years, additional resources will be essential to continue the multi-year effort to revitalize and update the National Museum of American History's exhibit spaces. In view of the substantial progress made to date and the central importance of this great National Museum in depicting our country's history, our planning documents place a high priority on this significant undertaking.

Restoration and Renovation of Buildings

Consistent with the theme of this year's budget request and in keeping with our continuing commitment to maintain the Smithsonian's physical plant in sound condition, our FY 1984 request in the Restoration and Renovation of Buildings

appropriation account totals $9 million. This represents a $550,000 increase over the FY 1983 appropriation.

We thank the Subcommittee for its encouragement and support for our Restoration and Renovation efforts and for including new language in the FY 1983 appropriation that permits awarding contracts on the basis of contractor qualifications as well as price. This provision should be extremely helpful to us as we proceed with our restoration program.

During the past year, we have made considerable progress with our roof and facade repair, fire detection, safety and security, utility systems and disabled access programs. For example, the last major construction phase of renovating the facade of the Renwick Gallery has begun and is expected to be physically completed in FY 1985. Extensive exterior restoration of the Arts and Industries Building has been initiated and completion--with your continued support--is anticipated in calendar year 1986. Steady progress continues in implementing the master plans for fire detection in the Natural History and American History Buildings. Under the heading of safety, the containment or removal of asbestos has been completed in several areas of the American Art/Portrait Gallery Building, and in the carpentry shop of the Natural History Building.

The substantial efforts that we are devoting to upgrading heating, ventilating and air conditioning (HVAC) systems already are achieving improved environmental conditions. During FY 1982, a comprehensive energy conservation study was completed at the American History Building; the upgrading of the HVAC system (which will include a new system of automated temperature and humidity controls) at the American Art/Portrait Gallery Building is continuing and renovation of the Freer Gallery's HVAC system is nearing completion. For the disabled, rest room modifications were completed last year at the Natural History, American History, Air and Space and Renwick Gallery Buildings.

We are pleased to report that the new research library at the Smithsonian Tropical Research Institute has been completed and will be dedicated officially next month. Safety improvements have been completed for the single lane 20 and one-half mile access road at the Smithsonian Astrophysical Observatory's Whipple Observatory in Arizona.

For FY 1984, we plan to continue or complete major phased projects on roofs and facades, fire detection, safety and security, utility systems and access for the disabled. We also are seeking resources to undertake two projects in support of research and exhibitions.

Specifically, the major purposes for which resources are sought in FY 1984 include completion of facade restoration of the Renwick Gallery, continuation of roof and facade renovation of the Arts and Industries Building, and initiation of the phased roof replacement at the American History Building. The major projects in the fire detection category consist of continued upgrading of fire detection systems following the fire protection plans at the American History and Natural History Buildings. For the safety of staff and visitors, support is requested to continue the asbestos abatement program at the American History Building. Under the category of safety and security, funding is sought toward the multi-year program of converting to an electronic security and fire alarm system that is owned and operated by the Smithsonian. I have previously discussed the importance of converting to this system in the Salaries and Expenses portion of this statement. The money for this project proposed in the Restoration and Renovation account will be used to fund building modifications and permanently installed equipment.

Resources included for utility systems in our FY 1984 request will be used to continue work on heating, ventilating and air conditioning systems begun in FY 1981 and FY 1982 at the American History and American Art/Portrait Gallery Buildings and to initiate some new smaller projects. This budget also contains a significant item to construct an addition to the Anacostia Neighborhood Museum's Exhibit Laboratory located on National Park Service property in Fort Stanton Park, thus allowing the termination of unsatisfactory leased space in the Carver Theater. We are proposing also to continue modifications to the

space occupied by the Smithsonian Institution Libraries in the Natural History Building.

ZOO CONSTRUCTION

Our Zoo construction request for FY 1984 totals $3.5 million. We are pleased to report further progress in major renovation of the Rock Creek Zoo, the master plan for which was funded initially in FY 1974. The major interior renovation of the Small Mammal House has been completed, with reopening scheduled on April 1. Also completed and opening on April 1 is the Monkey Island Exhibit, the final facility in the Central Area Complex.

An amount of $2.1 million proposed in our FY 1984 request is devoted to meeting the most important requirements at the Conservation and Research Center, located on a 3,150-acre site near Front Royal, Virginia. The requested funds will be used to construct an urgently needed veterinary hospital, for which a sum of $1.4 million is requested, and $700,000 to complete the third and final wing of the Small Animal Facility. A further amount of $1.4 million is requested to continue the renovation, repairs and improvement programs at Rock Creek ($1 million) and at Front Royal ($400,000).

Special Foreign Currency Program

The total request for the Special Foreign Currency Program is $9.04 million in excess foreign currencies. Funds of $4.0 million for this program will be used to continue a program of grants for research and advanced training in fields of traditional Smithsonian competence. A third installment of $4.0 million equivalent in Indian rupees will be used to continue to build a foreign currency reserve fund to support future programs of the American Institute of Indian Studies. The final portion of this request is to provide the second of four contributions of the United States contribution to the project currently underway to salvage the city of Moenjodaro. The Smithsonian is seeking $1.04 million equivalent in Pakistani rupees for this purpose.

Mr. Chairman, I and my staff would be pleased to respond to your questions and those of the Subcommittee.

INTRODUCTION OF ASSOCIATES

Mr. RIPLEY. Thank you very much, Mr. Chairman. I am heartened by the words of our Regent. I'm sorry that he himself is not here today.

We have with us on the witness stand today besides myself Mr. Hughes, the Under Secretary, who is sitting on my left facing you; Dr. Challinor, the Assistant Secretary for Science, who is behind me; John Jameson, the Assistant Secretary for Administration, on my right; Paul Perrot, who sits behind me here, the Assistant Secretary for Museum Programs; John Reinhardt, the Acting Assistant Secretary for History and Art; Edward Rivinus, the Acting Director of Public Service; Christian Hohenlohe, the Treasurer of the Institution; Tom Peyton, the Director of Facilities Services; Dr. Theodore Reed, the Director of our National Zoological Park, who has been embroiled, as you know, Mr. Chairman, in recent activities up there.

Senator MCCLURE. As an observer.

Mr. RIPLEY. I think fortunately he wasn't actively involved.

Senator MCCLURE. I wanted the record to reflect that.

Mr. RIPLEY. He might not have survived for this hearing.

Jon Yellin, the Director of the Office of Programing and Budget, who is sitting right here beside me. And there may be from time to time such other witnesses as you may require who are here in the audience.

Senator MCCLURE. Thank you very much, Mr. Secretary.

Mr. Ripley, you are always welcome before this committee. Your supporting cast is not evidence of your need for assistance so much as it is evidence of the diversity of the Institution.

The fiscal year 1984 budget request for the Smithsonian Institution totals $175,894,000, an increase of $14,748,000 over the comparable fiscal year 1983 appropriation. Also pending is a request for a pay supplemental in the amount of $2,390,000.

The Smithsonian has consolidated the utility and rental accounts of the Cooper-Hewitt Museum, the Smithsonian Tropical Research Institute, and the Smithsonian Astrophysical Observatory. These expenses, formerly charged to the individual bureaus, are now paid from the central account which has been increased accordingly.

The corresponding reductions have been taken in the object class breakdowns of the three organizations in the communications, rent, and utilities line, but these savings have been redistributed to program activities without explanation. As funds no longer required for rent and utilities are in effect program increases, we would appreciate an explanation of the proposed use of the funds.

Mr. RIPLEY. Thank you, Mr. Chairman. I think Mr. Jameson or Mr. Yellin can answer this question.

Mr. YELLIN. Yes, Mr. Chairman, the funds for the Smithsonian Astrophysical Observatory rental account have been distributed, as you point out, for programmatic purposes. The consolidation of the utility accounts, in fiscal year 1983, of the Cooper-Hewitt Museum—$22,000, the Smithsonian Tropical Research Institute—$49,000, the Smithsonian

Astrophysical Observatory—$120,000, and the Chesapeake Bay Center for Environmental Studies—$14,000 into our central utilities account was accompanied by a base transfer, also in fiscal year 1983, from those organizations and, therefore, no redistribution of utilities funds has taken place. With your permission we would like to submit for the record a detailed explanation of the planned uses of the amount of $55,000 currently being applied for rent.

Senator McCLURE. If you would do so.

[The information follows:]

SAO's RENTAL COSTS

When the Smithsonian Astrophysical Observatory and Harvard College Observatory libraries were consolidated in fiscal year 1974, SAO's prorated share for occupancy of approximately 45 percent (5,080 square feet) of the 11,290 square feet of new library space was $55,000 annually. This amount was absorbed from the research budget. Should SAO receive the requested $55,000 to cover the rental of library space in fiscal year 1984, the funds currently being used for this purpose would revert to the research budget.

RENTAL COSTS

Senator McCLURE. In fiscal year 1983 Congress denied the requested increase of $140,000 for space costs at L'Enfant Plaza, on North Capitol Street, and the Navy Yard. This would leave the account at the fiscal year 1982 budgeted level of $1,225,000. We understand that space costs at these three locations is now estimated to be $1,329,000 in fiscal year 1983. What source of funds is being used to pay the estimated shortfall of $104,000?

Mr. JAMESON. Mr. Chairman, this, of course, is still an estimate. Part of the uncertainty in our budgeting for the rent account is the year-end catchup expenses that the landlords pass on to the Institution, and these vary from year to year.

I am optimistic that the $104,000 deficit will not materialize. It is presently our best estimate. If indeed it does materialize, we would take advantage of some savings that we are seeing materialize in the utilities account this year as occasioned by the more temperate weather we have had this winter.

Senator McCLURE. The justification states that the Navy Yard space will be vacated during the current fiscal year and that the rental savings will be applied toward equipping the Museum Support Center. When will that move occur?

Mr. JAMESON. Mr. Chairman, I think it will not take place this year. Our best current estimate is that the wet storage equipment, which is now under contract, will be completed in the Museum Support Center by the end of this calendar year. I am optimistic that we will be able to begin moving in wet storage, including Sorting Center, collections early in fiscal year 1984 or by mid-fiscal year 1984.

Since it will take 9½ months to complete the move, full year rental costs which are estimated at about $260,000 will be required.

MUSEUM SUPPORT CENTER EQUIPMENT COSTS

Senator McCLURE. We prefer to have the equipment costs for the Support Center budgeted under that activity rather than being transferred from other accounts. You have identified here the likelihood that you won't have that other source of funding, but I assume that there are other programs which you propose to tap to fund the equipment costs of the Support Center.

Mr. JAMESON. We volunteered some years back that as part of the general effort to try to help out on this Sorting Center equipment there would come a time when we could reprogram, with the committee's permission, of course, the rental savings. That seemed appropriate to do since the collections and the staff of the Sorting Center will be moving into the Museum Support Center.

At this point we do not identify other moneys that will be available for allocation to the equipping of the Support Center this year. As you know, we have a rather large separate and well identified budget for equipping as well as operations.

Senator McCLURE. Is that going to be adequate?

Mr. JAMESON. We are forecasting that it will be perfectly adequate for this year. We would like to come back next year perhaps and let you know what the schedule is. It could well be to our advantage to try to speed up the equipment acquisition schedule, which we have now phased over about 1986 to 1987, to expedite in a timely way the move of the collections into the Support Center.

Senator McCLURE. But as it stands now whatever shortfall there will be from those other places will simply extend the rate at which you acquire the equipment.

Mr. JAMESON. Yes, sir.

REVISED SPACE COST ESTIMATE

Senator McCLURE. We have received a revised fiscal year 1984 estimate for space costs at these three locations which totals $1,396,000 as opposed to the $1,765,000 contained in the original justification. Do you agree that the difference of $369,000 is not required for rental costs?

Mr. JAMESON. The estimate, Mr. Chairman, that I have is approximately $229,000 as being excess to the needs of this account for 1984. The original estimate was one that we did in August of last year. We are obviously more mindful now of the rental climate in the Washington, D.C., area, and I think that the increases that we forecast will not materialize in 1984.

Senator McCLURE. Well, the revision we got was just last week. That leaves us about $140,000 apart.

Mr. JAMESON. Mr. Chairman, I believe the base in the justification was stated too high by the amount of the increase that we did not get in fiscal year 1983.

Senator McCLURE. If you would supply the detail for us, we would appreciate that.

[The information follows:]

ANALYSIS OF RENTAL COSTS

Fiscal year 1984 request compared with current estimated need

	Fiscal year 1984 budget request	Current fiscal year 1984 estimate	Difference request versus estimate
L'Enfant Plaza	$601,000	$505,000	- $96,000
North Capitol Street	764,000	631,000	- 133,000
Sorting Center[1]	260,000	260,000	
SAO Library	55,000	55,000	
Total	[2] 1,680,000	1,451,000	- 229,000

[1] As soon as the Museum Support Center building is accepted by the Smithsonian Institution, security and other systems which must be in place before full occupancy is possible will be installed. The installation is expected to be completed in September 1983 at which time the move of the Sorting Center is scheduled to begin. However, it will not be possible to begin the collection move until after the installation of the storage equipment, which is now scheduled for late November 1983. Once the equipment is in place, we estimate it will take 9.5 months to complete the move of the Sorting Center's materials to the Support Center. Therefore, the amount of $260,000 shown in the fiscal year 1984 budget request for the Sorting Center will be required in fiscal year 1984.

[2] Total of $1,765,000 noted under rental space on page A-7 of the budget presentation was an incorrect figure, and did not take into account the fiscal year 1983 congressional reduction of $140,000.

SMITHSONIAN ASTROPHYSICAL OBSERVATORY

Senator McCLURE. An increase of $425,000 is requested to transfer 15 positions at the Smithsonian Astrophysical Observatory to the Federal payroll. These positions had been funded through overhead charges assessed to Federal grants and contracts. This position increase is not reflected in the full-time permanent positions for SAO which are shown on page A-24 of the justification. While we realize that this transfer is not a net increase of administrative staff for SAO, it is an increase of staff paid with appropriated funds. Why isn't this reflected in the justification?

Mr. CHALLINOR. Mr. Chairman, we anticipate making this move of people from the trust fund budget to the Federal, assuming we get our request granted, over the next year or perhaps more. It is not included in this budget because we are at or very close to our Federal ceiling. We do anticipate, however, that we will be able to reallocate positions as they arise within our Federal allotments to cover these 15 positions from other activities of the Institution.

Senator McCLURE. Even though you can't get a change in your ceilings so you will accomplish it without the change in the ceiling, it ought to be reflected in your justification to indicate the shift in full-time equivalent personnel.

Mr. CHALLINOR. Yes, sir. We will see that is done.

Senator McCLURE. Thank you.

Four hundred twenty-five thousand dollars is a convenient number, as it happens to be the amount added by Congress in fiscal year 1983, for a one-time expenditure to improve the multiple mirror telescope at the Whipple Observatory. The total required for this conversion is $650,000. The justification states that the balance of $225,000 will be left to future management decisions. May we interpret that to include

the possibility that if we approve this $425,000, the Smithsonian may request an additional $225,000 in the fiscal year 1985 budget?

Mr. CHALLINOR. We are not anticipating an increase of $225,000 in our 1985 budget but would hope to over the next year or two by transferring funds from within the accounts of the Astrophysical Observatory slowly make up that balance of $225,000.

Senator MCCLURE. You will keep us informed, of course, as to the reprograming?

Mr. CHALLINOR. Yes, we will, Mr. Chairman.

Senator MCCLURE. According to the justification, the unrestricted general nonappropriated funds for SAO are used to support administrative positions and provide administrative support. These funds are derived almost exclusively from overhead charged to Federal grants and contracts. Even with the increase of $425,00 requested to transfer 15 administrative slots to the Federal payroll, the justification shows an increase of $121,000 in general support from unrestricted funds. It would seem that this number should decrease rather than increase. Can you explain why it does not?

Mr. RIPLEY. I think our Treasurer, Mr. Hohenlohe, can answer this, Mr. Chairman.

Mr. HOHENLOHE. Mr. Chairman, the figure shown on that page for unrestricted trust fund support in fact should decrease. That was an error in the presentation, and it should decrease by approximately the $425,000 that would be required.

DEER POPULATION AT FRONT ROYAL

Senator MCCLURE. Thank you.

Dr. Reed, on behalf of the committee I want to extend our appreciation for your assistance, your counsel, and your leadership efforts which have provided us with one of the finest zoos in the world. Although you are scheduled to retire from active duty at the zoo next week, we hope to be able to continue to rely on your advice in your new capacity.

Last fall the Smithsonian proposed a deer hunt at the Front Royal preserve in order to thin the herd. I personally favor controlled hunting as a wildlife management technique and expressed my support of the Smithsonian's decision. Other voices, however, proved louder and the hunt was canceled. So we have the information on the record, Dr. Reed, would you briefly explain the threat imposed by the expanding deer population?

Dr. REED. The greatest threat by the exploding deer population is to themselves and destruction of their habitat. They now have the browse line up as high as a tall buck can reach. They are digging down in the ground to get the roots of the trees and they are barking trees. Fortunately we did not have the snow and ice that we had 2 years ago, otherwise we would have had the fawns and the does starving.

We do have a remedy for the problem, which is to take down sections of the fence and permit the deer to migrate onto our neighbors'

land where they will be welcome and probably we will have the assistance of poachers, wild dogs, and other means of natural control.

It is no longer a problem of the National Zoological Park Conservation Research Center. We have returned it to its original source, the Almighty Lord.

Senator McCLURE. Have you had any reaction from the State of Virginia or from the adjoining landowners that was adverse?

Dr. REED. They are, like you, very much in favor of public controlled hunting.

Senator McCLURE. So they haven't objected too vociferously to having their public hunting stocks replenished.

Dr. REED. Not too vociferously, but very explicitly, sir.

DEER-PROOF FENCING

Senator McCLURE. In a letter dated November 10, 1982, Mr. Hughes indicated that in lieu of the hunt the Institution would undertake a research project at the cost of $200,000 and that deer-proof fences would be installed at a cost of $450,000. We can find no mention of either the study or the fencing. I assume that that has been abandoned.

Mr. HUGHES. Yes, sir, that is correct. We have been working with Dr. Reed and Dr. Wemmer in developing an alternative solution along the lines he described which I think should be as effective and substantially less expensive. That solution, as he indicated, involves the lowering of the fence in more remote areas of our reserve, but at the same time building an additional "double" fence around the more intensively used areas of the reserve. That can be done reasonably economically, and we plan to undertake both immediately.

The double fence has the dual purpose really of additional security for the exotic species for which we are responsible and at the same time providing a more or less sterile barrier between the wild deer and the parasites that they might bring, and the exotic species in our pens and grazing areas.

Senator McCLURE. Are the exotic species free to roam within the preserve?

Mr. HUGHES. They are free to roam within certain areas of the reserve, and that is the way it has always been. The problem was encroachment of the wild deer into those areas and the subsequent transmission of disease.

Senator McCLURE. There is no intermixing of the wild deer and the exotic species?

Mr. HUGHES. No, sir. There may be, in the context of this plan that I have just described, a necessity from time to time in the future to drive deer out of the areas of heaviest use by the zoo.

Senator McCLURE. It is your belief that they will freely move back and forth across the lowered fence?

Mr. HUGHES. Yes, sir.

Senator McCLURE. The fence line becomes a demarcation for hunters rather than a limitation upon the deer.

Mr. HUGHES. That is correct.

Senator MCCLURE. So it becomes a wildlife refuge rather than a preserve.

Mr. HUGHES. To an extent that the deer don't go back and forth.

HIRSHHORN MUSEUM'S EXTENDED LOAN PROGRAM

Senator MCCLURE. An increase of $200,000 is proposed to initiate an extended loan program of works of art from the Hirshhorn Museum. According to the justification a survey was conducted to determine museum and university interest in such a program. Did the survey ask how much the museums or the universities would be willing to pay for such a program?

Mr. RIPLEY. Dr. Reinhardt can answer this question, Mr. Chairman.

Dr. REINHARDT. The survey indicated, Mr. Chairman, that the universities would be willing to pay some toward the transportation of the objects to the museums. The plan is that these paintings would go to the university museums on a long-term loan, thus they would not be required to pay very much.

Senator MCCLURE. They would not be required nor expected to pay very much?

Dr. REINHARDT. That is correct.

Senator MCCLURE. Did they indicate how much they were willing to pay, or did they just say "we'll pay something?"

Dr. REINHARDT. Something toward transportation. It would be difficult at this time to ascertain with any exactitude how much they would pay because we don't even know which paintings they would receive.

Senator MCCLURE. Of the $200,000, $55,000 is requested to obtain suitable space to serve as a staging and processing area for the Hirshhorn collection. We have spent millions and millions of dollars to build and equip the Museum Support Center. Why can't this work be carried out at the new facility?

Dr. REINHARDT. It may very well be carried out in the new facility. We simply don't know at this time. If the facility is available when the works are available, we will certainly use it. The $55,000 now requested for rental of space would then be applied to the preparation of the works of art for the ultimate loan.

Senator MCCLURE. Seventy-five thousand dollars is requested for crating, shipping, and insurance of the artwork. If all of the pieces must first be subjected to extensive collections preparation, conservation analysis, cataloging, photographing, matting, and framing, will you indeed be able to actually start the lending program this year?

Dr. REINHARDT. No; we would plan to start the lending program in the second year, that is in fiscal year 1984.

Senator MCCLURE. Once established, what do you estimate to be the annual expense for the program?

Dr. REINHARDT. We would estimate at this time that the annual expense would be $200,000 probably, plus any inflation.

Senator McCLURE. Do you have any estimate of what the borrowing institutions will be asked to bear of that $200,000?

Dr. REINHARDT. Probably something toward transportation, but we have no exact estimate.

Senator McCLURE. Not even an approximate estimate? Five dollars? or $500? or $5,000? or $100,000? or $195,000?

Dr. REINHARDT. We don't know at this time largely because we don't even know which institutions would be borrowing the work. They would be offered to a wide variety of institutions throughout the United States. Obviously it would cost more in Oregon than it would in Maryland.

SACKLER GALLERY

Senator McCLURE. I understand.

An increase of $100,000 is requested to hire an Assistant Director of the Center for Asian Art for the Sackler Gallery and for the purchase of collection storage equipment. Future plans for the Sackler Gallery are to include an extensive exhibition program, an extensive publications program, and an expanded oriental art restoration program. Last year the Smithsonian estimated that the annual operating costs of the new museum upon the completion of construction would be in the range of $27 million annually, of which 40 percent would be appropriated funds. Is that still your estimate in view of the generous gifts from Mr. Sackler?

Dr. REINHARDT. That is still the general estimate for the operation of the entire quadrangle project. It isn't just the Sackler Gallery.

Senator McCLURE. That's the whole quadrangle and not just the gallery?

Dr. REINHARDT. Not just the Sackler Gallery.

Senator McCLURE. The fact that you have had these generous gifts will not reduce that estimate?

Dr. REINHARDT. In publications it is possible. It would not reduce that overall estimate. But it is hoped that from the Sackler Foundation some of the publication expenses would be borne from those funds. But the general operating expenses of the quadrangle project remain as estimated.

Senator McCLURE. You have requested $47,000 to purchase fireproof storage equipment for the Sackler collection which will be stored at the Museum Support Center until the quadrangle construction is completed. To date $10,846,000 has been provided for equipment at the Museum Support Center with an additional fiscal year 1984 request of $3,895,000. It would seem that out of almost 15 million dollars' worth of new collections storage and other equipment there should be something suitable for the Sackler collection, or that the equipment could be purchased within the almost $4 million requested for fiscal year 1984. Is this $47,000 really necessary?

Mr. RIPLEY. Thank you, Mr. Chairman. I would like to ask Mr. Perrot to answer this because he has been directly concerned with the planning of the Museum Support Center.

Mr. PERROT. Thank you, Mr. Ripley.

Mr. Chairman, the acquisition of equipment for the Museum Support Center is phased over a number of years. While contracts are being let for the acquisition, the delivery of the equipment has not yet started and we don't expect the first increment to be installed before late this fall.

This will be the wet storage equipment to store the materials that are now part of the Oceanic Sorting Center. The equipment for the dry collections, for the collections of anthropology, history and so forth, would only be installed next year.

In the interim we expect the Sackler collection will start to be delivered to the Institution probably later this fall or early winter. Therefore, we do need to have some specific equipment to house it in. It is anticipated that the cabinets that will be acquired will be used temporarily at the Support Center for the Housing of the Sackler collection, and when the quadrangle project is completed these cases will then be relocated to the quadrangle and will be part of the permanent equipment of that facility.

Senator MCCLURE. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

I have a number of other questions, but there is another vote on the floor of the Senate. Rather than ask you to wait until I can return, I will submit the balance of the questions for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

National Museum of Natural History

Question: As part of the fiscal year 1983 appropriation bill, the non-personnel funds associated with the Center for the Study of Man were added to the budget of the National Museum of Natural History. The total amount for equipment costs for the current year should be $472,000, the sum of the $317,000 budgeted under Natural History and $155,000 budgeted under the Center for the Study of Man. The FY 1984 justification shows a base level of $628,000 with a requested increase of $102,000 for a total fiscal 1984 level of $730,000. This is a 55% increase over the amount justified last year. Only $50,000 of the $258,000 increase is mentioned in the justification. Can you provide further explanation for this sizable increase?

Answer: The FY 1983 Congressional budget justification for the National Museum of Natural History/Museum of Man for personnel compensation and benefits ($14,627,000) was based on 505 Congressionally authorized full-time permanent positions. Due to a lower workyear than position ceiling authorized in FY 1983 by the Office of Management and Budget, an amount of $156,000 in base funds for personnel costs was reallocated to redress a shortage of funds for the purchase of routine scientific, collections management and buildings maintenance equipment. This adjustment accounts for the increase between the combined amounts requested for equipment in FY 1983 for the National Museum of Natural History/Museum of Man and the Center for the Study of Man ($472,000) and the FY 1983 equipment base shown for the National Museum of Natural History/Museum of Man in the FY 1984 budget justification ($628,000). Proposed adjustments for FY 1984 would provide an additional $102,000 for equipment procurement. This amount includes requested increases of $50,000 for purchase of major, specialized scientific equipment; $33,000 to compensate for the effects of inflation; and internal adjustments of $5,000 for equipment needed to support a curator for the African art and ethnology collections, and reallocation of $14,000 used in FY 1983 for collections acquisitions toward the purchase of routine equipment.

Question: Will any equipment funds from Natural History be used at the Museum Support Center?

Answer: In FY 1980, a sum of $200,000 was appropriated to the National Museum of Natural History/Museum of Man for the purchase of storage drawers for the Museum Support Center. These funds, along with an additional $200,000 from Natural History's equipment base were transferred to the "Museum Support Center Equipment" line item to help fund MSC storage equipment. Through FY 1983, an amount of $1,600,000 of Natural History's base funds have been used for MSC equipment. Additionally, some of the collection storage drawers purchased from NMNH funds may be transferred for use at the Museum Support Center, as they will be compatible with the cases to be installed at the facility. Also, furniture and equipment currently in the Sorting Center offices at the Navy Yard and in the Anthropology Conservation Laboratory in NMNH will go to the Museum Support Center when the Sorting Center and the Anthropology Conservation Laboratory are moved there.

Smithsonian Astrophysical Observatory

Question: An increase of $425,000 is requested to transfer 15 positions at the Smithsonian Astrophysical Observatory to the Federal payroll. These positions had been funded through overhead charges assessed to Federal grants and contracts. This position increase is not reflected in the full-time permanent positions for SAO which are shown on page A-24 of the justification. While we realize that this transfer is not a net increase of administrative staff for SAO it is an increase of staff paid with appropriated funds.

If the transfer is approved, will the grant and contract funds previously used for administrative personnel be used to hire additional scientists under contract?

Answer: If approved, the $425,000 would be used to cover costs which have been paid by overhead charges on the Smithsonian Astrophysical Observatory's contracts and grants. This use would result in a reduction of several percentage points in the overhead rate that would be charged on each contract and grant. Once notified of the reduced rate, the funding agencies would have the option of withdrawing the savings or allowing them to be used to extend the scope of the scientific research. If the latter occurred, the savings realized on any one contract or grant only could be applied to that contract or grant. It is unlikely that the savings realized from any one contract or grant would be large enough to support any additional scientists.

Question: This situation has existed at SAO for over 20 years. Why shouldn't we simply require that the scientific staff be reduced or transferred to the contract and grant payroll in sufficient numbers to allow for the administrative personnel to be supported from appropriated funds?

Answer: The goal of SAO over the past 25 years has been to establish a scientific program that is in the forefront of the field of astrophysics, and, concurrently, to provide a research base for broad national efforts in the space sciences. In accomplishing this goal, SAO did not support a proper share of its administrative infrastructure with Federally appropriated funds. Over the last several years, SAO has redirected funds from its Federal base to help correct this deficiency. Redirection of more funds from the current base would seriously erode the quality of the research, the principal goal of SAO. The addition of the $425,000 will allow SAO to retain its Federal research scientists while correcting most of the remaining administrative deficiencies. It is anticipated that in the future, additional funds will be made available to complete the correction of these deficiencies.

SAO does not believe that transfer of its Federal scientists to the contract or grant payroll is in the best interest of the organization for several reasons: contracts and grants are obtained for specific scientific purposes and most Federal scientists would not be as appropriate as those already involved. Contracts and grants by their nature provide insecure means of long-term support. SAO's present Federally-supported research program would be hurt by the loss of these scientists to contract and grant research.

Publication Costs

Question: Increases are sought for publication costs in several areas. In fiscal year 1982 Congress denied the Smithsonian's request for increased publications costs for the National Museum of Natural History, the Tropical Research Institute and for the National Museum of African Art.

A reprogramming report dated March 4, 1983 shows that in fiscal year 1982 $140,000 was reprogrammed to fund publication costs of the National Museum of Natural History. Reprogramming guidelines adopted by the House and Senate state that: "Reprogramming should not be employed...to change allocations specifically denied, limited, or increased by Congress..." As the Conference Report specifically denied the requested increases for publication costs, why did the Smithsonian employ reprogramming? Incidentally, the increase requested in fiscal year 1982 for the National Museum of Natural History was $35,000 -- the amount reprogrammed was four times the amount denied by Congress.

Answer: The FY 1982 base in the FY 1983 budget request for object class 24, "Printing and Reproduction" for the National Museum of Natural History/Museum of Man was $409,000. Actual FY 1982 expenditures in the object class totalled $369,000.

The amount of $140,000 shown as reprogrammed was based on an original internal allocation to "Printing and Reproduction" of $229,000. This reduced allocation for object class 24 and other non-salary object classes as well was required in order first to cover salary requirements. (The four percent across-the-board reduction in FY 1982 and pay raise absorption of 25 percent resulted in a reduced salary of benefits availability to the Museum of $514,000.) As the year progressed and salary lapse developed, an amount of $140,000 was restored to the Museum's allocation of $229,000 for "Printing and Reproduction" which was essential to pay for the publication of research articles in the Zoology, Marine Sciences, Biology, and Paleobiology series publications.

Reorganization

Question: In fiscal year 1982, the Smithsonian conducted a reorganization affecting the Center for the Study of Man. During the current year, the Performing Arts Division and the Public Services activities have been reorganized. We understand that you have under consideration the merger of the Radiation Biology Laboratory and the Chesapeake Bay Center. We understand that the Regents have vested in the Secretary the authority to organize the Smithsonian as he deems appropriate. As none of these reorganizations has been submitted to the Congress, have you determined that the action by the Regents takes precedence over House and Senate requirements relating to the merger and/or elimination of line items in your appropriations?

Answer: In each of the reorganizations cited, the actions taken were to improve performance and efficiency. Funds will continue to be used for functions approved and funded by the House and

Senate. In other words, funds have not been reprogrammed to other purposes. We are mindful, however, of the Congressional interest in line items in our budget and will improve our communications on future such reorganizations.

Question: Will you please submit to the Committee a revised budget justification showing the distribution of funds of all programs which have been reorganized during the current fiscal year or which are planned to be reorganized during this year or during fiscal year 1984.

Answer: During the current fiscal year and subsequent to the FY 1984 Congressional submission, the Division of Performing Arts was reorganized to provide for close working relationships between bureau research and exhibition interests, the continuing adult education emphases of our Resident Associate Program and the resulting calendar of performance events for the public. All Federal resources associated with the Program have been transferred to the National Museum of American History, except $35,000 which will be made available to the Office of Plant Services to serve as a replacement fund for audio visual equipment. Resources made available to the Museum will be used for the creation of free public concerts in the American performing arts, utilizing instruments in the Museum's Collections or spaces in and around its building. The Trust fund resources associated with the Division have been transferred to the Resident Associates Program which is funded exclusively by nonappropriated funds. The Resident Associates Program will manage all events for which tickets are sold to the public.

Other FY 1983 reorganizations which are reflected in the FY 1984 budget request include: 1) decentralization of lamp purchases from the central Office of Plant Services account to the relevant museums: National Museum of Natural History/Museum of Man, $35,000; National Museum of American History, $35,000; National Air and Space Museum, $20,000; Hirshhorn Museum and Sculpture Garden, $10,000; Building Manager South Group, $10,000; Center for Asian Art, $4,000; and the National Museum of African Art, $2,000; 2) the consolidation of utilities costs into the central utilities account from individual funds of off-Mall bureaus including the Smithsonian Astrophysical Observatory, $120,000; the Smithsonian Tropical Research Institute, $49,000; the Chesapeake Bay Center for Environmental Studies, $14,000; and the Cooper-Hewitt Museum, $22,000 (noted on page A-6 of the submission); 3) the consolidation of the film and electronic media resources of the Institution (two positions and $69,000 from the Office of Exhibits Central and one position and $25,000 from the Office of Museum Programs to the Office of Telecommunications as noted on pages A-102, A-108, and A-120 of the submission); 4) centralization of the automated collections management review function into the Office of Information Resource Management (two positions and $53,000 from the Registrar's Office); 5) transfer of the administration of the Cooperative Education Program ($30,000 from the Office of Equal Opportunity to the Office of Fellowships and Grants); and 6) the transfer of $25,000 from the Office of Protection Services to the Office of Plant Services for the maintenance of off-Mall fire detection equipment. These reorganizations do not alter functions approved by the Congress; they were accomplished in order to improve performance and efficiency.

Also planned in the summer of 1983 is the merger of the Radiation Biology Laboratory with the Chesapeake Bay Center for Environmental Studies. In the winter of 1981-1982 the Institution conducted a review of the Radiation Biology Laboratory and the Chesapeake Bay Center for Environmental Studies, prompted by the recognition that the two bureaus shared common scientific interests and that a merger could enhance their objectives with a single and larger staff at one site. In addition, an integrated bureau would be more interdisciplinary and could more readily apply new scientific approaches.

A physical merger will not occur until a new building is completed at the Chesapeake Bay Center. The Institution will seek authorization and appropriations for a new 60,000 sq. ft. laboratory to be completed in advance of the expiration of the Radiation Biology Laboratory's present lease at Rockville in January 1990. The new bureau will undertake long-term research at the molecular and whole-organism level at the Bay Center's excellent site. The merger will result in greater efficiency in administration and in the use of available scientific resources. A name for the new bureau and details concerning administrative structure are being developed and will be transmitted to the Senate and House Subcommittees as soon as they are available.

National Museum of American History

Ouestion: With respect to the National Museum of American History, it appears that funding for renovation of the building and exhibition spaces is being derived from three accounts: the base provided for operation of the Museum; from special exhibitions; and from the renovation and repair account. For the record, please supply information on the funds spent from fiscal year 1981 through fiscal year 1984 (projected) for renovation, repair, and new construction of interior and exterior spaces of the Museum identified by account.

Answer: The breakdown of funds by account for fiscal years 1981 through 1984 for exhibitions and for renovation, repair and new construction of interior and exterior spaces of the National Museum of American History is as follows:

	Expenditures			
	FY 1981 Actual	FY 1982 Actual	FY 1983 Projected	FY 1984 Projected
Base Appropriation /1 (exhibition expenditures)	$ 96,000	$ 149,000	$ 77,000	$ 80,000
Major Exhibitions Appropriation /2 (exhibition expenditures)	490,000	431,000	665,000	525,000
Repair and Renovation Account /3 (No exhibition expenditures)	799,000	816,000	1,961,000	1,304,000
TOTAL	$1,385,000	$1,396,000	$2,703,000	$1,909,000

/1 These funds are the Museum's base Salaries and Expenses funds directed toward small new exhibitions and maintenance of all existing exhibitions.

/2 These funds are the Museum's share of the Major Exhibition Program and are used for new major exhibit installations.

/3 These funds are used for interior and exterior repair renovation of the building. No "Restoration and Repair of Buildings" funds are used to further the exhibits effort of the Museum.

Assistant Secretary for Public Service

Question: The fiscal year 1983 justification stated that trust funds would be used to hire two additional staff members for the Office of Telecommunications under the Assistant Secretary for Public Service. Now we find that three additional positions have been provided to that office, but they are supported by the Federal payroll and were taken from the Office of Exhibits Central and the Office of Museum Programs. Why did you not fund the positions from trust funds as outlined in last year's justification?

Answer: The 12 Federal positions included in the FY 1984 budget for this line item reflect the transfer of 3 positions from the Offices of Exhibits Central and Museum Programs to the Office of Telecommunications as part of centralization in FY 1983 of audio-visual activities within the Institution. The functions which have been performed by the incumbents of these 3 positions will continue to be performed by them under the centralized Office of Telecommunications.

The two additional trust positions which were shown in FY 1983 in the FY 1983 justification but not shown for FY 1983 in the FY 1984 justification are not related to the audio-visual positions. Rather, in the FY 1983 submission it was assumed that two additional positions (funded through the Institution's Educational Outreach Program) associated with the Smithsonian Galaxy Program (a radio series of short features produced and developed in connection with Smithsonian exhibits) would be funded through unrestricted Trust funds. This

transfer of funding sources for the two positions has not yet taken place and therefore no additional Trust positions are shown under this line in the FY 1984 budget submission other than those associated with the transfer of the audio-visual function.

Visitor Information and Associates' Reception Center

Question: An $80,000 increase is requested for support costs of the Visitor Information and Associates' Reception Center. These costs have traditionally been borne almost exclusively by trust funds. Why should there be a change to Federal support?

Answer: The Visitor Information and Associate's Reception Center functions as a central point for a wide range of information and assistance programs for the general public, Smithsonian National Associates, and Smithsonian staff through the involvement and coordination of large numbers of volunteers. Although the need to provide programs specifically for the National Associates visiting the Smithsonian served as the primary initial motivation to create VIARC, its mission to provide general public information and assistance has expanded greatly during the past decade. Programs for the general public presently include: the operation of 14 information desks in eight museums, staffed every day of the year except Christmas Day by a corps of 400 volunteer Information Specialists; the Telephone Information Program, operating seven days a week, which responds to over 300,000 public telephone inquiries annually; the presentation of a daily visitor orientation program; and the Public Inquiry Mail Service unit, handling the research, response and referral of some 30,000 mail inquiries annually. Moreover, during the peak tourist season (from May through Labor Day), VIARC maintains an outdoor information program dispensing information and brochures to visitors from a number of mobile carts on the Mall. Currently, Federal funding is used primarily for the personnel costs of the Center's Public Inquiry Mail Service's activity, and for temporary program assistants. The Institution's nonappropriated Trust funds support 12 positions and almost all support requirements. In recognition of its expanded role in the development and provision of visitor services, the increase of $80,000 is requested in order to provide Federal support for the Center commensurate with its enlarged scope of activities for the general public. The funds will be used for the support costs of rental equipment ($17,000); printing and reproduction ($30,000); contractual services ($19,000); supplies and materials ($12,000); and equipment purchases ($2,000).

Question: Discounting the one-time appropriation of $200,000 for a film commemorating the signing of the Treaty of Paris, the request for the Assistant Secretary for Public Service represents an increase of more than 60% compared with the fiscal year 1983 request. For the record, please provide additional details as to what expanded responsibilities this office has assumed to justify such an increase.

Answer: Discounting the one-time appropriation of $200,000 for a film commemorating the signing of the Treaty of Paris there is, in FY 1984, an increase of $223,000 over the FY 1983 request.

Reorganization in the Office of Telecommunications (centralization of audio-visual functions)	$ 94,000*
Pay Supplemental for FY 1983	23,000
Requested increase for Visitor Information and Associates Reception Center	80,000*
Necessary Pay	8,000
Inflation	18,000
TOTAL	$223,000

* Explained in answers to the questions above.

Question: Three "other than permanent" positions were assigned to this office in fiscal year 1983 and continued in fiscal year 1984. What are these positions and what source of funds was used to support the positions in fiscal year 1983?

Answer: The source of funds used to support the "other than permanent" positions in fiscal year 1983 are Federal resources previously earmarked for contractual services but which were used instead to secure services through the use of on-board temporary employees. The three "other than permanent" positions are a motion picture production assistant (Office of Telecommunications) and two information specialists (Visitor Information and Associates Reception Center).

Office of the Registrar

Question: Two positions and several thousands of dollars have been transferred from the Office of the Registrar. As no explanation is provided in the justification, please provide one for the record.

Answer: A study determined that there was some overlap in responsibility for information management between the Office of the Registrar and the Office of Information Resource Management. Two positions and their incumbents and $53,000 were transferred from the Registrar's office to clarify the relationships and to strengthen the information resource management function in a single office. Both of the employees involved bring experience that will be useful to the new organization.

Conservation Analytical Laboratory

Question: The Holocaust Memorial Council falls under the jurisdiction of this subcommittee. In fiscal year 1984, they will embark on a major effort to catalogue and restore works of art relating to that era which have been stored in warehouses for decades. Would the Smithsonian be in a position to assist in this effort on a cost reimbursable basis?

Answer: The Smithsonian has no information, as of now, concerning the extent of the collections that are either owned by or will be transferred to the Holocaust Memorial Council. However, it has been the Institution's policy in the past to assist organizations

in any way possible in the conservation of their collections, and has done so by providing advice on conservation conditions and treatment, by scientific analysis of samples and, occasionally, depending upon the work load of Smithsonian laboratories, by carrying out some actual conservation treatments. The Institution has an enormous backlog of works in need of conservation and, therefore, it must assign first priority to its own holdings. To deal with the backlog, the Institution itself retains outside conservation contractors to assist with conservation projects. With the relocation of the central Conservation Analytical Laboratory to the larger facilities of the Museum Support Center and the increased staff that has been authorized for FY 1983 and anticipated increases in 1984, it may be possible to carry out special work for the Holocaust Memorial Council on a cost reimbursable basis. The exact extent of the Institution's assistance in this regard will depend upon the availability of staff and the nature of the objects that the Council might submit for consultation.

Major Exhibition Program

Question: Please explain the rationale behind the changes in the equipment and other services request in the fiscal year 1983 budget and the fiscal year 1983 base figures displayed in the fiscal year 1984 justification.

Answer: Installation of the New Life in American exhibition which was anticipated to be accomplished with in-house staff, requiring supplies, materials and equipment, is being instead contracted out. The Museum of American History over estimated the production capabilities of on-board exhibits staff. This change has not resulted in any increase in cost of the exhibit.

Museum Support Center

Question: Eighty additional positions are requested for the staffing of the Museum Support Center bringing the total to 116. Will the Center be fully staffed at that level?

Answer: As is currently planned the staffing of the Museum Support Center will be complete in 1988 with 145 positions. Additional positions will be requested, as follows:

Office of Protection Services - FY 1985, 9 positions.
Office of Photographic Services - FY 1985, 1 position.
Office of the Director - FY 1985, 1 position.
Office of Facilities Management - FY 1985, 3 positions.
Conservation Analytical Laboratory - FY 1985, 10 positions; FY 1986, 3 positions; FY 1987, 1 position; FY 1988, 1 position.

Question: Are you unable to reallocate any existing positions to the Museum Support Center?

Answer: All new positions requested for the Museum Support Center are necessary to operate and maintain the building and its environmental systems, to provide security, and to staff new programs, such as the Conservation Training Program, to be housed at the Center. We are not able to reallocate existing positions for these purposes without weakening ongoing progress.

Conservation Training Program

Question: A total of 8 positions are requested for the conservation training program -- including an information officer and a syllabus coordinator and two secretaries. Based on information provided for the record last year, you envision having only four to six students the first year reaching a maximum of 15 to 20 in later years. While there may be some need to compile a syllabus at the onset of the program, what is the need to make this a permanent position?

Answer: The responsibilities of the position termed "syllabus coordinator" extend far beyond the development of an initial syllabus covering basic courses for the students in museum conservation. Scientific conservation training requires a high degree of interdisciplinary academic education coupled with development of manual and laboratory skills which may lead to one or more of a variety of advanced conservation specializations. Although a number of carefully planned scientific and cultural courses will be prerequisites for the program, further courses in chemistry, physics, materials science, anthropology and art history will have to be planned and arranged for individual students as they advance into these specialized areas of conservation practice for different kinds of objects and materials, such as paintings, ceramics, paper, metals, wood, etc. The syllabus coordinator, as part of the training faculty, will be responsible for coordinating the theoretical and practical aspects of the training for each student as he or she develops a specialization. The coordinator will be required to see that the laboratory equipment and the materials required for each step of the training are available and accessible when needed. The individual will also coordinate between the students and the university departments involved in the training as well as the conservation and scientific staff of the Conservation Analytical Laboratory itself. Experience at other conservation training programs, including that at the International Center for Conservation in Rome, has shown that a day-to-day, hands-on effort by a qualified individual is required for an effective program.

Question: Will the universities involved in the program provide any reimbursement to the Smithsonian for the training of their students?

Answer: The Institution has a long standing record of cooperation with area universities. At the present time a number of courses are given by members of the Smithsonian staff either in full or in part. The Institution receives a percentage of the registration fees paid to the universities by the students. It is expected that a similar arrangement will be developed based upon an equitable distribution of the work load between the staff of the universities and the staff of the Institution.

Question: According to the justification, reports will be written by conservators and compiled by an information officer on every item treated "with precise descriptions of the condition and nature of the items, the need for conservation, and the individual steps in the treatment process." Is it usual to have such detailed record keeping in conservation?

Answer: It is generally recognized nationally and internationally that no conservation treatment is complete or, indeed, is considered ethically conducted if it is not fully documented. This documentation must include a minutely detailed description of the object prior to the start of the work, data on every step involved in the analysis and treatment, and a report on the completed work accompanied by photographs, graphs, analyses, etc., that will enable subsequent curators and conservators to determine exactly what had been done to the object. The requirement for such documentation is included in the Code of Ethics of the profession.

Museum Support Center

Question: Additionally, there is a request for a full-time photographer for inventory control, conservation documentation and instructional purposes. Millions of dollars have been spent on the Collection Management/Inventory Program. If pictures are required, why shouldn't that activity be accomplished within the inventory program?

Answer: The purpose of the inventory is to record items and their locations in the Smithsonian collections. Only in a relatively few instances, as for items of high intrinsic value, have items been photographed. In general, funds were not budgeted for photography as part of the general inventory program. The Museum Support Center will have active programs of research, conservation, and conservation training. The Center will be used by staff, students, and visiting scientists and historians. There will be a continuing requirement for photography to document items for publications, exhibitions, and to assist in conservation training and treatment of objects.

Question: Why aren't the requests for protection services, plant services, and horticulture at the Museum Support Center contained in those individual accounts as they are for the other Smithsonian activities?

Answer: The requests for protection services, plant services and horticulture are included in the central Museum Support Center equipment and operations line item to facilitate review and accountability. Once overall operating resources have been sought in accordance with the schedule outlined in the Institution's "Five-Year Prospectus," approved resources will be included in the appropriate individual accounts. The same procedure was followed in FY 1980 and FY 1981 in the case of the resource requests for the Office of Protection Services, the Office of Plant Services and the Smithsonian Institution Libraries associated with the acquisition of the National Museum of African Art.

Question: Twenty maintenance and preventive mechanics are requested to operate and maintain the heating, ventilating, and air conditioning system at the Museum Support Center. Can you tell us how this compares with GSA standards for such positions?

Answer: The 20 mechanics requested for operation and maintenance of the MSC physical plant are broken down into 12 positions for the 24 hour-a-day seven days-a-week operation of the high pressure system and eight positions for the periodic preventive maintenance of the HVAC equipment, controls and fire and smoke alarms.

The total of 12 positions requested for the operation of the MSC physical plant is significantly less than the standards GSA uses to staff the only two comparable facilities in the Washington metropolitan area that have their own steam and refrigeration generating plants - the CIA facility in Langley, Virginia and the GSA Suitland facility in Suitland, Maryland. These two facilities are staffed with 14 and 13 mechanics respectively, solely for the operation of their heating and refrigeration plants. Additional mechanics are utilized to check the operation of the system components throughout the buildings served by these plants. The 12 positions requested for the MSC will be utilized not only for the heating/refrigeration plant operation, but also for the operation of the system components throughout the building. This level of staffing is made possible by the fact that the heating/refrigeration plant is an integral part of the MSC. Additionally, the fact that the building is equipped with a complex computer system that can centrally monitor and control most of the installed HVAC system components throughout the building further reduces the need for staffing.

The total of eight positions requested for the performance of preventive maintenance was determined by calculating what maintenance needed to be performed on each piece of equipment, how long it will take to do the maintenance task, and how many times a year the maintenance task should be performed. GSA determines its staffing for preventive maintenance the same way. Differences in total number of required positions will occur, however, mainly due to changes in frequencies brought about by equipment usage, and differences in the standard time to perform maintenance brought about by equipment location and type of components. The Smithsonian determined its frequency for necessary maintenance on each piece of equipment based upon the recommendations of equipment manufacturers and known usage. Standard time to perform each maintenance task was obtained from the Institution's Preventive Maintenance Administrative System contractor. The contractor has many years of experience working with the Department of the Navy and private corporations world-wide, developing standard times through extensive time and motion studies and actual usage data. Actual experience for the past four years in the Smithsonian's existing buildings has proven that the standard times used by the contractor to perform maintenance tasks are realistic for the type of equipment installed in the Institution's buildings.

Administration

Question: Seven hundred fifty thousand dollars is requested to upgrade the Smithsonian's computer system. The emphasis will be placed on the libraries, specimen collections, financial management and training. The justification indicates that the entire Institution will eventually be on the new system. What is the total estimated cost of this conversion?

Answer: The $750,000 the Institution is requesting for FY 1984 is part of a multi-year plan involving expenditures at this level through FY 1988 and decreasing expenditures in the following two years. An appropriation of $275,000 was made in the FY 1983 budget for an Institutional bibliographic information system. The FY 1984 request will be devoted to the extension of that bibliographic information system and the acquisition of systems for management of museum artifacts and for financial information. In following years, the Institution will acquire systems for management of public

activities information, buildings and space management information and capital equipment. A system for integrated management of personnel information is being implemented this year. Each of these developments requires an investment in personnel training and in extending and supporting communications throughout the Institution. These underlying expenses will continue at roughly $150,000 per year during the seven year plan. It is expected that this investment in the modernization and integration of Smithsonian information systems will result in a substantial enhancement of the Institution's ability to obtain and share information in the management of its programs and in more efficient administrative control.

Question: Fifty thousand dollars is requested to establish an automated office training laboratory which is to be staffed by present personnel. How will the fifty thousand dollars be used?

Answer: Support for two kinds of training programs is sought. The first is directly related to the new capabilities which are being introduced. To exploit these capabilities to their fullest, the staff of the Office of Information Resource Management and the users of the new systems must be trained thoroughly. Staff will be sent to training before systems are introduced and some training programs will be brought into the Institution to train users once systems are operational.

The second training effort is more general; it is critical for the Institution that employees at all levels understand the opportunities presented by information management technologies and the methods of planning for their introduction. This will be done by establishing, on a modest scale, an in-house "laboratory" dedicated to computer literacy training and instruction in assessing appropriate technologies and planning for introduction of automation. We are presently experimenting with the laboratory by offering a course in computer-literacy to members of the Smithsonian Executive Committee and providing opportunities for exhibits and education staff in the Institution to explore computer-based-education. We feel that by providing this opportunity in-house we can expose staff to the opportunities and warn them of the pitfalls better than haphazard exposure to vendors which is their predominant source of information at present, or expensive one-day and one-week seminars in which staff currently enroll. To establish the laboratory on a full-time basis with a variety of different technologies will require additional initial support but we anticipate long-term savings both in the direct cost associated with seeking outside training and, more importantly, in the indirect costs associated with acquisition of appropriate technologies.

Foreign Currency Program

Question: Nine million forty thousand dollars is requested for the Special Foreign Currency Program, $4,000,000 of which will support a forward-funded reserve for research in India. What is the total amount of the reserve toward which you are aiming?

Answer: The Smithsonian is aiming or a forward reserve totalling $10,000,000 equivalent of Indian rupees. This will permit five years of American research in India after the loss of excess rupee status. The current fund totals $1,250,000.

Utility Systems - Repair and Renovation

Question: Substantial increases are now projected in the costs to repair heating and air conditioning systems at the Arts and Industries Building, the National Museum of American History and at the National Museum of Natural History. Total costs between fiscal years 1984 and 1988 are estimated at $19,550,000 for these three buildings while the estimate provided last year for the fiscal years 1983 through 1987 was $5,225,000. What is the reason for this three-fold increase?

Answer: The reason for the increase projected in the costs to repair heating and air conditioning systems at the Arts and Industries Building, the National Museum of American History and at the National Museum of Natural History is that engineering studies have now been completed which permit greater definition of costs. The studies are an essential part of an effort to examine environmental conditions and related energy conservation needs for the buildings. A major emphasis of the studies has been on the preservation of collections, the physical condition of existing equipment and recommended programs to conserve energy as well as to provide efficient cost effective modifications. Currently $19.5 million of work is planned through 1988.

Ouadrangle Construction

Question: We understand that there will be a photographic record of the Ouadrangle construction project and that later films will be produced. How often will photographs be taken?

Answer: Arrangements have been made to document visually construction of the Ouadrangle project for archival and information purposes.

The Smithsonian's Office of Photographic Services has set up a time-lapse camera in the South Tower of the Castle to record progress twice daily. In addition, photographs will be taken weekly at ground level.

The Institution also will produce two films. A 12- to 18-minute documentary which will be used to aid in fund-raising and to provide for the public general information on the concept of the project will be produced by the end of June. A longer film, using some duplicate footage while also following the progress of the project's construction, will be available in 1986 and suitable for public television.

Question: What is the estimated cost of producing this photographic record?

Answer: A contract has been signed with an independent producer for the two films, as well as for archival footage of some of the principals associated with the project. The contract price is $280,000.

The Tower and ground-level still photography will be supervised by Smithsonian employees in the Office of Photographic Services and utilize existing equipment. The cost of film, processing, and related maintenance is estimated at $1,500.

Question: Are appropriated funds being used for this effort?

Answer: Nonappropriated resources are being applied to the film projects, while appropriated funds are being used for the still photography.

SUBCOMMITTEE RECESS

Senator McCLURE. Mr. Ripley, it is a pleasure to have you and your colleagues before us again. It is always a pleasure to work with you as well as to visit with you from time to time.

Mr. RIPLEY. May I thank you very much, Mr. Chairman, and also for the wonderful support that we have had from your committee in connection with our work on the quadrangle itself. This has been very heartening to us and hopefully very much in the national interest.

Thank you, sir.

Senator McCLURE. Thank you.

The subcommittee will stand in recess until Thursday, March 24 at 2 p.m. at which time we will review the fiscal year 1984 budget estimates for the conservation programs of the Department of Energy.

[Whereupon 3:05 p.m., Wednesday, March 23, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, March 24.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 24, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:15 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Byrd.

DEPARTMENT OF ENERGY

STATEMENT OF JOSEPH J. TRIBBLE, ASSISTANT SECRETARY FOR CONSERVATION AND RENEWABLE ENERGY

ACCOMPANIED BY:

MELVIN CHIOGIOJI, DIRECTOR, OFFICE OF STATE AND LOCAL ASSISTANCE PROGRAMS

JOHN J. BROGAN, DIRECTOR, OFFICE OF ENERGY SYSTEMS RESEARCH

PAUL BROWN, ACTING DIRECTOR, OFFICE OF VEHICLE AND ENGINE RESEARCH AND DEVELOPMENT

JOHN MILLHONE, DIRECTOR, OFFICE OF BUILDING ENERGY RESEARCH AND DEVELOPMENT

A. J. STREB, DIRECTOR, OFFICE OF INDUSTRIAL PROGRAMS

PREPARED STATEMENT

Senator MCCLURE. Good afternoon. This is time scheduled to review the fiscal year 1984 budget request of DOE's energy conservation.

This year's request of $74,377,000 represents an increase of slightly over $50 million above the President's fiscal year 1983 request, but represents a decrease of $204,913,000 below the 1983 appropriated level, and $292,913,000 below the 1983 program level.

Representing the Department this afternoon is Mr. Joseph J. Tribble, Assistant Secretary for Conservation and Renewable Energy.

Mr. Secretary, we welcome you again this year. Would you please introduce those with you at the table. We will then place your entire written statement in the record, and proceed to questions.

[The statement follows:]

Statement of Joseph J. Tribble

INTRODUCTION

Mr. Chairman and members of the Committee, we welcome the opportunity to meet with you again to discuss the proposals we have made in the FY 1984 budget for Energy Conservation programs. In accordance with the Committee's request, the FY 1984 conservation budget is submitted on the basis of end-use sectors rather than the more generic categories which characterized the FY 1983 request. We will cover the details of each of these sectors, however, some general comments are appropriate. First, the U.S. energy supply situation is even more favorable this year than it was at this time last year. Recent figures indicate that net imports of petroleum into the United States (excluding SPR imports) are now down to 4.0 million barrels per day. Considering the deliveries of petroleum to the United States from Mexico, Venezuela, and the North Sea, we as a Nation are far less vulnerable to disruptions in the Arab OPEC nations than we were previously. The over-supply of oil is putting pressure on prices, as seen in recent price reductions. Second, there are now more than 300 million barrels of oil in the Strategic Petroleum Reserve. Third, efforts to improve the efficiency with which energy is used are continuing, and the results of past efforts continue to pay dividends. These favorable circumstances should in no way minimize the importance of conservation. As Secretary Hodel has himself stated, we are very well aware of the fact that falling energy prices put an additional burden on the Department to highlight the importance of continuing conservation programs. As a nation, we ought not to conclude that short-term changes in prices or supply lead to reduced need for conservation. The Federal Government should provide at least sufficient high-level interest and support for such activities to maintain the momentum achieved thus far. Generally, a time-frame of several years is required before research finds its way into widespread use. Conservation research which is done now will be very beneficial in the years to come, when the price of energy will surely be higher.

The budget request submitted to the Subcommittee today represents a continuing commitment to research and development for each technology. These funding proposals were carefully reviewed to ensure that activities to be funded are consistent with the national need. In formulating this request, the Department considered a number of inputs, including sources such as the Energy Research Advisory Board (ERAB), Congressional hearings, and discussions with industry representatives.

Four general criteria were used to guide the selection of activities included in this request. First, it should be consistent with the Federal emphasis on long-term, high-risk energy research. Second, the research should add measurably to the technology base. Third, the activity should not duplicate work being performed by the private sector. Finally, the activity should have a high-payoff potential.

Let me now address the details of the conservation budget request.

BUILDINGS SYSTEMS RESEARCH AND DEVELOPMENT

Since FY 1977, and through FY 1983, the Federal Government has spent $120 million on research for improving the energy efficiency of buildings. This research, combined with the base of information

available prior to that time, has brought the state-of-the-art to the point where buildings can indeed be built to withstand severe winter conditions without, or with minimal, heating systems. Virtually every facet of energy use in buildings has been studied. The thermal performance of wall and roof systems has been studied in calibrated hot boxes. Fenestration arrangement and design has been carefully studied, as has ventilation, infiltration and energy management control systems. Sophisticated computer programs have been established for determining energy use in buildings. Many whole buildings have been fully instrumented in order to determine the effect on energy requirements of a number of external variables, such as wind, sun, and siting. The effects of thermal mass and moisture migration have been studied.

This is not to say that additional work need not be done. Early this year, the Department of Energy jointly sponsored, along with other organizations interested in building energy technology, a workshop to evaluate the current status of the body of knowledge relating to energy use in buildings. Our objective was to determine, among other things, what is being done by the private sector and where there are gaps in our knowledge base that need to be filled. To the extent possible, the work which is done in FY 1983 will be directed toward the recommendations from this workshop. The FY 1984 request of $16.4 million will be based on these recommendations to an even greater extent.

TRANSPORTATION

The automotive gas turbine program is continuing in FY 1983 with two contractor teams. Both teams now have all-metal engines undergoing tests. At the inception of this program, the plan called for the substitution of ceramic parts for metal parts in the high-temperature sections of the turbine. Consequently, there has been a parallel effort in developing ceramic components and the means by which such components could be produced. Both teams have successfully tested ceramic components at low temperatures. Further progress in this program will hinge upon additional successes with ceramics. Ceramic behavior in high-temperature, oxidizing environments will have to be determined. Improved methods of joining ceramics with metal will need to be developed. Indeed, it is possible that changes may be required in the composition of the ceramic material which is now being used. It is therefore appropriate that research on ceramics and ceramic components be emphasized, with the automotive engines being used as test beds. We believe that it would be appropriate to fully support only one team in FY 1984, with ceramics development and cost-sharing of ceramic parts in the test engine. We do, however, propose to continue to work with both contractors in ceramics development. We have proposed an expenditure of $12 million in FY 1984 with which to carry out this work.

Another element of this program is heavy-duty transport technology. Turbocompound waste heat utilization technology has demonstrated an improvement of approximately 9-10 percent over current diesel engine fuel efficiency. Use of an organic rankine bottoming cycle waste heat recovery system has demonstrated an approximate 12 percent increase in fuel efficiency for long-haul trucks. Although both of these modifications do, in fact, improve fuel efficiency, they also add to the cost and complexity of operation, including additional maintenance, and therefore will not be implemented until the economics of their use has improved. Little remains to be done in this program. Work planned for FY 1984 will contribute to the development of ceramic materials, joining methodology, and dispersion-toughened composites. The potential of gas-lubricated piston rings will be

investigated. Work will also be done to develop solid lubricants. A total of $2.6 million has been requested for this work.

The development of an automotive Stirling engine is also a part of this program. The MOD I engine design is now a reality and, by the end of FY 1983, it is expected that over two thousand hours of endurance testing of this machine will have been achieved. Transfer of the technology from Sweden to the United States is essentially complete, as evidenced by Mechanical Technology, Incorporated, having assembled the first US-built MOD I engine. During FY 1983, attempts will be made to improve piston ring seals, the control system and the combustor. In addition, an industry evaluation program is now underway where two engine manufacturers will be supplied with MOD I Stirling engines for testing at their own facilities. We believe that, by the end of FY 1983, sufficient technology development will have been accomplished, and adequate test data will be available, to permit the automotive industry to make a fully rational assessment of the potential of the Stirling engine in automotive uses. Consequently, the DOE is not requesting FY 1984 funds for continued development of this engine.

In the Electric and Hybrid Vehicle Program, we have advanced to the point where the development of a substantially improved battery is necessary for further progress toward a practical electric vehicle. Consequently, the work which is proposed for FY 1984 is heavily weighted toward the development of better batteries. We have requested $9.5 million for FY 1984 to continue this work. In the Alternative Fuels Program, we have requested $4 million. With this, we would expect to establish the optimum approach to the use of synthetic fuels. We would research advanced techniques for storage of methane onboard vehicles, and would complete comparative field performance statistics for vehicles operating on straight methanol fuels.

The need for a high-temperature materials laboratory has been discussed for several years. Because the development of materials to withstand stress under higher temperatures is so necessary to the further development of the heat engine industry, it seems appropriate to fund the facility from the transportation program. Our FY 1984 request includes $9.0 million for this facility, which has a total estimated cost of $20.6 million.

INDUSTRIAL PROGRAMS

Of the three major sectors that use the majority of energy, the industrial sector has, by far, the largest incentive to conserve energy. Dollars saved in the reduction of energy consumption are reflected almost directly in profit. For the ten most energy intensive industries, the energy consumed per unit of production in 1981 was 20.8% below the unit energy consumption in 1972. It has been said that industrial research and development is aimed at the short-term only, however, this does not account for such research as that done by the forest products industry, where the payoff is some 30 years away; nor that done in the drug industry, where it may take 10 years to bring a new drug to market; nor that done in the communications industry, where such organizations as the Bell Laboratories have been noted for long-term research. From FY 1977 through FY 1983, the Federal Government will have spent almost a quarter of a billion dollars on industrial energy conservation research and development. The effect of this expenditure has been primarily to accelerate the introduction of innovations which would probably have taken place without Federal participation, although at a later time. This program primarily responds to industry

proposals. An effort is made to select those projects which are generic in nature and will have application to one or more entire industries.

The Administration has sought both in FY 1982 and FY 1983 to bring this program to a proper conclusion without additional funding. In anticipation of a request for no funds for FY 1983, most of the projects which were undertaken in FY 1982 were funded to completion. In view of the continued allocation of funds for this program by the Congress, we have requested $10.6 million for research in FY 1984. With these funds, we would expect to continue work on membrane separation of oxygen for enriching combustion air. We would also go forward with the development of a slagging coal burner which might be used to adapt an oil-fired boiler for burning coal. We would continue the reporting program on industrial energy efficiency and continue R&D on freeze crystallization for improved separation and concentration. This would have application in the food industry and perhaps others.

ENERGY CONVERSION AND UTILIZATION TECHNOLOGIES (ECUT)

The Energy Conversion and Utilization Technologies Program is one which involves technologies cutting across end-use sectors. We have requested $3 million in FY 1984 for this work. With this, we would go forward with the investigation of combustion phenomenon and make an effort to fully understand "knock" in engines. Another field which deserves some attention is tribology, which is the study of friction and its elimination or minimization. The use of solid lubricants will be required in many high temperature applications, such as the use of ceramics in engines.

STATE AND LOCAL ASSISTANCE PROGRAMS

The FY 1984 budget request for State and Local Programs is $3.3 million, primarily for staff needed to handle the closeout of grants issued in prior years. We are not requesting any additional funds for the grants themselves, for reasons which I will discuss.

The Institutional Conservation Program, also known as Schools and Hospitals, was designed primarily to demonstrate the benefits of energy conservation and to stimulate energy efficiency investments by local governments and local public and non-profit institutions. The program has successfully accomplished these goals and continued funding is not necessary. DOE has in the past provided both technical and financial assistance to public and non-profit schools, hospitals, local government and public care institutions. States and local communities have had several years of experience in making energy conservation investments. They are now well aware of the benefits of such investments and capable of including them as appropriate in their overall operating and capital budgets. Consequently, the FY 1984 budget request contains no funding for this program. We are continuing to conduct joint public/private efforts to explore alternatives to Federal financial assistance to support energy conservation.

The Administation has not requested funds for continuation of the DOE Weatherization Program. We are very concerned about the welfare and well-being of the low-income persons in this country, but view this as a social rather than an energy issue. Therefore, the President's FY 1984 budget request provides Federal funds to the States for weatherizing low-income homes through the Low-Income Home Energy Assistance Program (LIHEAP), administered by the Department of Health and Human Services (HHS). Up to 15 percent of the LIHEAP funds are authorized to be allocated by States for weatherization

activities. In addition, having all Federal assistance channeled through the LIHEAP program facilitates State and Local governments' program planning and implementation by permitting them to provide the optimum mix of weatherization and fuel payment assistance within the limits of available resources and taking into account their unique community circumstances.

The Energy Extension Service was designed to promote energy conservation by direct personalized information and technical assistance to small-scale energy users such as small businesses and homeowners who individually use small amounts of energy, but, in the aggregate, account for roughly 40 percent of the Nation's energy consumption. The Energy Extension Service has served to assist States in the development of conservation and renewable energy resource outreach activities aimed at addressing those energy issues specific to a given State. With clear evidence that public knowledge of the benefits of energy conservation has motivated enormous and widespread energy efficiency investments by individuals and businesses throughout the Nation the goals of this program have been accomplished and there is no longer a need for Federal assistance. To the extent that States continue to believe that public information programs of this type are desirable, the Federal assistance provided to date has been sufficient to develop their capability to continue such efforts on their own. The State Energy Conservation Program (SECP) was designed to provide States with the means to establish and implement energy conservation programs with the goal of reducing energy consumption. This goal has been largely accomplished. States have become increasingly able to develop and implement such activities and, as with EES, there is no further need for Federal assistance.

The Energy-Related Inventions Program was established to evaluate the technical merits of energy-related inventions submitted to DOE and to issue grants to assist those which are most promising. The National Bureau of Standards (NBS) has evaluated approximately 18,600 energy-saving inventions, of which 165 have been awarded grants totaling $12.8 million. We expect that the President's Economic Recovery Program will increase the venture capital available and will stimulate R&D investments, making this program unnecessary.

MILEAGE GUIDES

The FY 1984 budget request includes $500 thousand for printing and distribution of the Mileage Guides. As you know, we have made some changes in the printing and distribution procedures in FY 1982 and FY 1983, in order to reduce costs associated with the Guides. The format of the Guide has been changed to make it reproduceable on normal copying machines. This will permit broader use by recipients who would like to further distribute copies of the Guide. Recognizing the sizeable inventory left unused at the end of FY 1981, we have reduced inventory requirements for the Technical Information Center. Initial distribution to dealers will be made in packages of 50 copies, with reorder blanks in each box for prompt reordering where needed. TIC is currently turning around such reorder requests in 2-3 days. Single copies are being provided to the general public on request. When inventories at TIC draw down to the point where reprinting is needed, we will obtain from EPA the latest available data in order to update the Guide to include all models on which information is then available. This will result in an ongoing update of the Guide over the model years covered.

FEDERAL ENERGY MANAGEMENT PROGRAM

The FY 1984 request for the Federal Energy Management Program (FEMP) is $1 million. This is roughly double the program provided by Congress in FY 1983. Funding will permit expanded efforts in Federal planning for achievement of conservation and efficiency goals, to include provision of program technical guidance to other Federal agencies, conducting workshops on life cycle costing techniques and conservation through architectural design, updating and printing "how to" conservation manuals, and conducting employee awareness programs. In addition, we will continue to monitor and report program progress, cost and energy savings to the President and the Congress and to develop performance targets for existing Federal buildings. I would like to note in passing that the legislation relating to this program requires the preparation and submission of two separate reports, both in effect summarizing the status of the Federal program. We would like to consolidate these two reports, thus freeing staff time for the other activities just described.

APPLIANCE TEST PROCEDURES

The FY 1984 budget request includes $1.7 million for continuation of the appliance test procedures program. The test procedures form the basis for manufacturer representations regarding energy consumption or the cost of energy consumed as required under the Federal Trade Commission (FTC) Appliance Labeling Program. The Department supports the continuation of this effort as a means of ensuring the proper operation of the marketplace through provision of information to the consumer. Such information, consistent across models and brands of appliances, is essential if the consumer is to make an informed purchase decision. Funding provided will permit updating of test procedures and processing of waivers from the procedures where they would produce unreliable or unrepresentative results for a particular product. Funds will also be used to assist FTC in conduct of a consumer education effort to heighten public awareness of the labeling program. A minimal level of funding is needed to process State petitions for exemptions from Federal standards on appliances. I would like to note here that FTC recently conducted a public meeting to obtain private sector input to the labeling process, soliciting ideas for possible improvements to the existing lables. The response was very encouraging and we commend FTC for this effort.

REGULATORY PROGRAMS

In addition to the programs already mentioned, CE is responsible for three regulatory programs: appliance energy efficiency standards, building energy performance standards, and the Residential Conservation Service and related programs. No funding is requested in FY 1984 for these programs. In the area of appliance energy efficiency standards, we issued a final rule on two products (kitchen ranges and clothes dryers) in December of last year. We expect to complete the final rule on the remaining six products by the end of April. Proposed and final rules on the other four products specified in legislation will also be completed this year. Funding requested under the appliance testing program will be adequate to handle any requests for exemptions from the Federal standards, as already indicated.

Under the building Energy Performance Standards (BEPS) program, we are in the process of preparing voluntary guidelines for building types with the highest volume use, specifically, residential buildings, commercial buildings, and manufacturered housing (mobile

homes). Interim mandatory standards for application to new Federal buildings will also be prepared and issued. Funding currently available should permit the completion of all activities in this area. We will then work with other Federal agencies to identify possible sites for a demonstration in Federal buildings of each type. This will give us a basis for finalizing the standards for the Federal sector.

With regard to the Residential Conservation Service, we have final rules in place for the basic RCS program. We issued Notices of Proposed Rulemaking for the RCS Federal Standby Plan and the Commercial and Apartment Conservation Service (CACS) last November. Final rules are expected to be completed by May. A Notice of Proposed Rulemaking on a Federal Standby Plan for CACS is now planned for August. All of these rulemakings will be completed using funds available from FY 1982 and FY 1983.

The Department last year supported legislation proposed by Members of Congress to repeal the requirements for these regulatory programs. We would continue to support such legislation.

Mr. Chairman, this completes my statement. I will be glad to answer any questions you may have.

INTRODUCTION OF ASSOCIATES

Mr. TRIBBLE. Mr. Chairman, I would like to introduce, on my far left, Mr. John Brogan, who is the Director of the Office of Energy Systems Research.

Next to him is Mr. John Millhone, Director of the Office of Building Energy Research and Development. On my immediate left, Mr. Melvin Chiogioji, who is Director of the Office of State and Local Programs.

On my right, Mr. Paul Brown, Acting Director of the Vehicle and Energy Systems R&D Office, and on his right, Mr. Al Streb, the Director of the Office of Industrial Programs.

FISCAL YEAR 1984 ENERGY CONSERVATION PROGRAMS

Senator MCCLURE. Thank you very much. Mr. Secretary, I want to welcome all of you gentlemen here. As I noted in my opening statement, the administration has indeed proposed a much higher—and perhaps more realistic—budget for energy conservation than was proposed last year.

With the possible exception of the State and the local grant programs, which have essentially been zeroed, this year's request goes much further toward the energy balance Secretary Hodel has stated he is striving for, and much further toward the type of responsible yet viable conservation program Congress has supported the past 2 fiscal years.

While I am personally generally pleased that the administration is finally heading in the right direction with respect to energy conservation, I must admit that I am still somewhat puzzled over the process by which certain research projects are chosen to be continued, while others are proposed for termination.

You continue to indicate you will fund only high-risk, long-term generic research, yet I frankly have a very difficult time differentiating between much of what is in and much of what is out.

Has the Office of Management and Budget, the Department of Energy, or your office, ever developed a specific definition of long-term, high-risk generic research that can be applied to determine, without question, which research should be continued and which should not?

CONCEPT OF LONG-TERM HIGH-RISK R&D

Mr. TRIBBLE. As you point out, this is a term that is subject to a number of different interpretations. The interpretation and the guidelines that we use in selecting programs to go forward with are the following:

We try to maintain close contact with the various industries and industry associations that are involved with the technologies we are working with.

We try to keep up to date on the research work that they are doing, and we try to identify where there are gaps that the private sector is not

filling, but which if filling, would be in the national interest. And that is where we attempt to direct our efforts.

Senator McCLURE. Well, is that a definition of long-term, high-risk research, or is it just a definition of a process?

Mr. TRIBBLE. Probably more the definition of a process. However, it fits very well, because those things that are worth doing that the private sector is not doing are generally those that have a long-term return, or, are of such a nature that no individual company would benefit from doing that type of research.

So in general, the work that we do does fit both of these definitions—both the long term, high risk, as well as the process.

Senator McCLURE. Well, you used terms like "in the national interest," and "worth doing." Aren't both of those rather subjective?

Mr. TRIBBLE. In defining that, we consider whether or not the work that we are supporting would, in fact, result in either saving energy for the Nation through improved efficiency of utilization, or substituting energy from renewable sources for fossil fuel.

Senator McCLURE. Now, are those economic tests purely economic tests or are they shaded?

Mr. TRIBBLE. I'm sorry, I didn't understand the question.

Senator McCLURE. When you say saving energy, or substituting renewables, in making the judgment whether those technologies are worth doing because they will save energy, you certainly must also look at the economics of saving energy.

Mr. TRIBBLE. Yes; saving energy through the more efficient use of energy certainly has to be considered in determining whether or not the individual technology or the individual process will be economically justifiable.

Senator McCLURE. It can be more energy efficient, but not more economically efficient; is that correct?

Mr. TRIBBLE. That's right.

Senator McCLURE. Now, are those strict tests, or are they judgments? Are they subjected to mathematical calculations, and are they on a pure cost/benefit ratio?

Mr. TRIBBLE. I would say they are more a judgment call than based on mathematical information.

FUNDING PRIORITIES

Senator McCLURE. If they are a judgment call, I think that I certainly cannot disagree with that. That is what they appear to be.

I can't find any kind of a generic criteria that I could apply to the judgments you have made, and understanding why you made the specific judgments you did. Did you subject each research activity that has been undertaken or that might be undertaken to the tests that you have given us here today: that they have to be in the national interest, that they have to be worth doing, they have to save energy, they have to be economically efficient?

Mr. TRIBBLE. Yes; and beyond that, we considered whether or not they would be done by the private sector and whether it is a legitimate function of the Federal Government.

That was one of the things that we did.

Senator MCCLURE. What is the legitimate function of the Federal Government?

Mr. TRIBBLE. If we feel that progress in a particular technology might be generated by a specific project which might lead to a breakthrough, or an improvement in energy efficiency utilization, and thereby permit us, as a Nation, to import less oil or to be less dependent upon imported energy resources, then if that was of significant magnitude, we would consider that in the national interest.

Senator MCCLURE. Which is more important in the criteria that you establish or in your judgment process, energy efficiency or economic efficiency?

Mr. TRIBBLE. In my judgment, economic efficiency is more important.

Senator MCCLURE. You have just said, "If it leads to importing less oil," that is in the national interest.

Now, that isn't necessarily an economic efficiency test, is it?

Mr. TRIBBLE. That is why I said it's more important that it be an economic justification. I hope we see the day before too very long when we will be in a position where, if we import energy, we will do so because we choose to do so from an economic standpoint, rather than have to do so because of need.

Senator MCCLURE. But if we are to get there, we will make some decisions in the short run that may not simply meet the test of economic efficiency.

Is that correct?

Mr. TRIBBLE. I'm sure that along the way, some judgments will be made that do not, in fact, meet that test, but I still think that's an objective we should strive for.

Senator MCCLURE. Well, I don't disagree with the idea that there has to be an economic test, but I have been concerned that we sometimes allow that economic test—a mathematical equation of cost/benefit analysis, based upon the economy—to lead us to ignore the opportunities for energy savings that contribute to other national interest goals, such as reducing the dependency, reducing vulnerability, reducing the cost of imported oil by reducing their ability to dictate price to us?

How much does $1 per barrel increase of OPEC oil cost us each year? How much do we save if we reduce their ability to dictate the price by $5 or $10 a barrel?

Now, those are important considerations; are they not?

Mr. TRIBBLE. Yes, they are.

Senator MCCLURE. But they won't apply to the test of any specific research or development or conservation program, will they?

Mr. TRIBBLE. That's right. I believe we're in the fortunate position now of having a very large number of things that we can do that are both economically viable and that do save energy or do improve effi-

ciency of utilization, and those are the things that I think we should approach first.

Senator McCLURE. Well, how important is it to us to reduce our dependence upon imported oil as a Nation?

Mr. TRIBBLE. It's vital.

Senator McCLURE. How vital? Vital enough to spend some money?

Mr. TRIBBLE. Yes; but not to throw it away.

Senator McCLURE. I understand that. I don't think we want to throw it away, but if it is vital to us, how much less would we have to spend on defense if we didn't worry about the security of the Persian Gulf?

Mr. TRIBBLE. I'm sorry. I'm not in a position to answer that question.

Senator McCLURE. Well, it would amount to quite a little money, though, would it not?

Mr. TRIBBLE. I would think so.

Senator McCLURE. How much is it worth to us as a Nation not to expose our young people to the possibility of having to fight a war on shores halfway around the world in order to protect that source of supply?

Mr. TRIBBLE. I think that's a factor you cannot put a dollar sign on.

Senator McCLURE. You can't put a dollar sign there, but it is of some importance.

Mr. TRIBBLE. Definitely.

Senator McCLURE. And it's worth spending some money toward, is it not?

Mr. TRIBBLE. Yes.

BUILDING ENERGY RESEARCH WORKSHOP

Senator McCLURE. You report in your written statement that the Department recently jointly sponsored a workshop with the objective of determining what building technology research is being done by the private sector and where there are gaps in our knowledge base that need to be filled.

Briefly, what were the results and recommendations of this workshop?

Mr. TRIBBLE. The workshop was sponsored by a number of different organizations that participated in the building energy field, and the recommendations are quite voluminous.

I have seen them only in rough draft form. The workshop, I think, was very good in that it brought in experts in this field.

We did break up into individual work sessions and try to outline those things that were most important to be done. This was not necessarily directed at what research the Federal Government should do.

First, our objective was to determine overall what things needed to be done, and we expect to follow that with an additional meeting of the cosponsors and make an effort to decide which of the recommendations that did come out of the workshop will be done by the private sector, and, in the aggregate, which ones of those that have the highest priority should be done by the Federal Government.

And those are the ones we would expect to pursue.

Senator McCLURE. Has a report been written on that workshop?

Mr. TRIBBLE. No; like I say, I have seen the initial drafts of the recommendations from the workshop, and I am sure by now some further progress has been made toward finalizing those drafts.

And when they are then available, they will be studied by the various cosponsors and we will get together and try to decide who is going to do what.

Senator McCLURE. Who is responsible for writing that report?

Mr. TRIBBLE. I believe it is Science Applications, Inc., which was the organization employed to bring together the written material.

Senator McCLURE. When do you expect to have that completed? I don't mean the next meeting, and how you decide to allocate or direct the work, but just the written results of the workshop.

Mr. TRIBBLE. I would expect within 1 month or 6 weeks.

Senator McCLURE. Would you provide a copy of that report for the committee file when it is completed?

Mr. TRIBBLE. I would be pleased to.

[The information follows:]

BUILDING ENERGY RESEARCH WORKSHOP REPORT

A copy of the report of the building energy workshop is being provided to the committee.

FEDERAL ENERGY MANAGEMENT PROGRAM

Senator McCLURE. I'll submit several questions with respect to the appliance standards program and ask for your response to those in writing.

Besides the appliance standards program, the only other area of BCS where an increase had been proposed is the Federal energy mangement program. Here you have requested an increase from the 1983 level of $500,000 to $1 million.

Why is this increase necessary?

Mr. TRIBBLE. As you probably are aware, the Federal Government has been criticized in some quarters because energy efficiency improvement has not matched the improvements that have taken place in the private sector.

It is the responsibility of the Federal energy management program to gather the information and the data from other agencies of the Federal Government and report to the President and the Congress on the progress being made.

We have in the last year increased the activity of the so-called 656 committee, which is a committee comprised of representatives of several agencies of the Federal Government. We have tried to come up with means by which we could offer other agencies technical assistance or have a cross-fertilization of ideas from one agency to the other.

The $500,000 appropriated in fiscal year 1983 was largely used in maintaining the data for the reports, and with that small a piece, we feel that it is well justified.

Senator McCLURE. What progress has been made in reducing the energy usage in Federal buildings?

Mr. TRIBBLE. We have reports on that that I would prefer to submit for the record because they represent the progress that has been made generally by individual agencies.

There have been a number of offsetting influences that make one single figure appear to be not representative, because in the Department of Defense, which is far and away the major user of energy, there has been an increase in activity among the armed services which has required additional energy.

This needs to be taken into consideration when you look at the aggregate figures.

Senator McCLURE. Over what timeframe do you make these studies and what timeframe was the most recent report?

Mr. TRIBBLE. The most recent report that is complete would be for the year 1981.

Senator McCLURE. I wonder if you could provide for the record the most recent analysis and the period it covers, and how it compares to previous 3-year periods.

Mr. TRIBBLE. Sure.

[The information follows:]

ENERGY CONSUMPTION BY FEDERAL AGENCIES

Energy consumption by Federal Government agencies in 1981 was 3.8 percent less than in 1975. Total energy consumption, by itself, is not a valid measure of energy conservation achievements. Increases in energy consumption may occur as a result of adding new buildings to the building stock, procurement of new vehicles, or increased operation of existing vehicles. A more valid measure is that of energy consumption per unit of production or operation. The first table provided reflects such a measurement, showing a 14.2-percent improvement in energy consumption per gross square foot of building space. The second table shows the same type of data for fuel consumption per flying hour for Air Force major transport aircraft. Other tables provided reflect total consumption of energy for major categories of activities.

TABLE A

FEDERAL PERFORMANCE TOWARD 20% REDUCTION GOAL
IN OWNED - EXISTING BUILDINGS AND FACILITIES
FY 1975 AND FY 1981

AGENCY	% of Bldgs Energy	FISCAL YEAR 1975 GSF x 10^3	FISCAL YEAR 1975 BTU x 10^9	FISCAL YEAR 1975 BTU/GSF	FISCAL YEAR 1981 GSF x 10^3	FISCAL YEAR 1981 BTU x 10^9	FISCAL YEAR 1981 BTU/GSF	% Change 1975-1981
DEFENSE[1]	69.1	2,325,300	630,100.2	270,975	2,410,300	558,358.1	231,655	- 14.5
ENERGY	7.1	87,000	61,082.1	702,093	91,655	57,145.5	623,485	- 11.2
USPS	5.0	164,710	47,981.6	291,309	182,040	40,228.6	220,988	- 24.1
GSA	4.8	219,700	42,940.0	195,448	221,300	39,064.6	176,277	- 9.8
VA	4.6	106,910	38,587.7	360,936	115,350	36,913.3	320,011	- 11.3
NASA	2.4	32,000	25,069.0	783,406	32,877	19,412.0	590,443	- 24.7
DOT	2.1	30,676	16,778	546,942	37,837	17,032.0	450,141	- 17.7
HHS	1.2	18,673	8,521.1	456,332	23,155	10,030.3	433,181	- 5.1
INTERIOR	0.9	49,143	8,837.2	179,826	57,090	7,592.5	132,992	- 26.0
AGRICULTURE	0.8	20,753	6,755.7	325,529	20,753	6,488.9	312,672	- 3.9
OTHER[2]	2.0	43,979.9	13,084.3	297,506	50,974	15,754.7	309,073	+ 3.9
TOTAL	100*	3,098,845	899,736.0	290,346	3,243,331	808,020.5	249,133	- 14.2

*May not add to 100 due to rounding.

[1]DEFENSE: Energy supplied at dock to ships in port ("referred to as 'Cold Iron'") is reported with General Operations.

[2]Other includes: Justice, Treasury, Commerce, Panama Canal Commission, Labor, EPA, TVA, FCC.

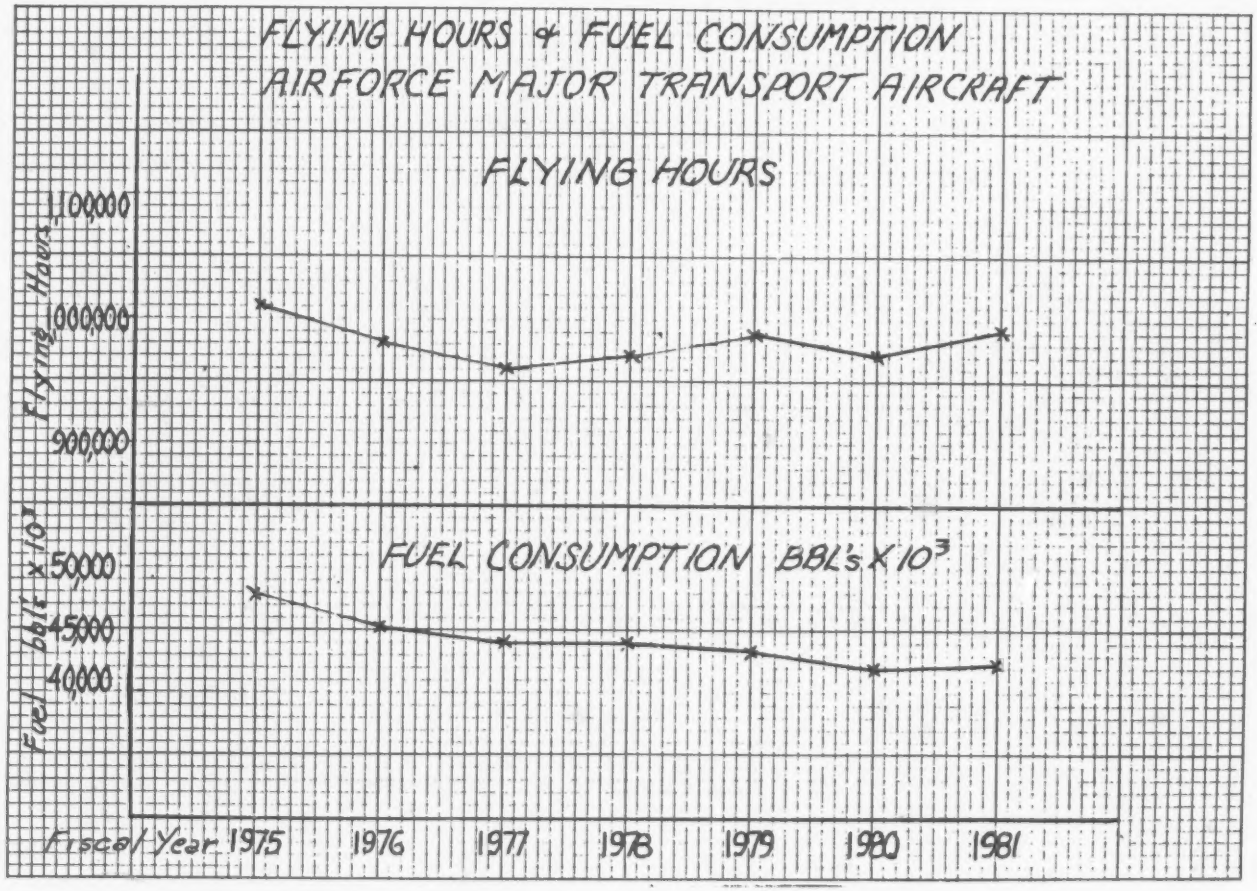

FLYING HOURS & FUEL CONSUMPTION
AIRFORCE MAJOR TRANSPORT AIRCRAFT
FLYING HOURS
1,100,000
1,000,000
900,000
Flying Hours
FUEL CONSUMPTION BBL's X 10³
50,000
45,000
40,000
Fuel bbl's x 10³
Fiscal Year 1975
1976
1977
1978
1979
1980
1981

Table X

ENERGY USE BY FEDERAL AGENCIES
(IN BILLIONS OF BRITISH THERMAL UNITS [BTU x 10^9] AND MILLIONS OF BARRELS OF OIL EQUIVALENT [MBOE])

AGENCY/ DEPARTMENT	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	% Change 1975-1981
DEFENSE	1,504,900.0[1]	1,386,805.2	1,401,224.8	1,365,744.2	1,384,168.8	1,394,759.8[1]	1,455,463.1[1]	-3.3
ENERGY	86,728.7[1]	91,703.3[1]	88,273.3[1]	87,531.1[1]	87,035.3[1]	83,950.1[1]	85,769.0[1]	-1.1
USPS	59,324.4[1]	58,429.8[1]	62,828.5[1]	58,519.6[1]	55,959.2[1]	52,201.8[1]	50,926.7[1]	-14.2
GSA	43,110.8[1]	41,240.2[1]	41,256.2[1]	41,427.9[1]	40,591.4[1]	38,965.6[1]	39,195.4[1]	- 9.1
VA	39,208.5[1]	36,467.3	37,925.0	39,444.9	38,464.7	37,677.3	37,484.5[1]	- 4.4
DOT[A]	28,150.0[1]	27,441.0[1]	28,788.0[1]	28,904.0[1]	27,635.0[1]	27,524.0[1]	28,093.0[1]	- 0.2
NASA	26,756.0[1]	25,286.0[1]	23,988.0[1]	22,478.0[1]	22,493.0[1]	21,327.0[1]	21,230.0[1]	-20.7
AGRICULTURE	11,928.8	11,607.7	10,772.7	11,222.8	11,233.4	11,167.7	11,068.6[1]	-7.2
INTERIOR	12,269.6[1]	13,058.2[1]	13,529.6[1]	12,328.0[1]	12,555.0[1]	11,670.3[1]	10,680.7[1]	-12.9
HHS	9,264.0	9,590.0	9,927.2	9,555.7	9,715.7	9,549.4	10,584.4[1]	+14.3
OTHER[B]	21,701.5	22,408.6	23,427.9	24,361.5	24,516.9	23,908.9	23,602.6[1,2]	+9.0
TOTAL BTU x 10^9	1,843,342.3	1,724,037.3	1,741,941.2	1,701,517.7	1,714,368.4	1,712,701.8	1,774,098.0	-3.8
MBOE	317.8	297.2	300.3	293.4	295.6	295.3	305.9	
ANNUAL SAVINGS FROM 1975 BTU x 10^9		119,305.0	101,401.1	141,824.6	128,973.9	130,640.5	69,244.3	
MBOE		20.6	17.5	24.4	22.2	22.5	11.9	
CUMULATIVE SAVINGS FROM 1975 BTU x 10^9		119,305.0	220,706.1	362,530.7	491,504.6	622,145.1	691,389.4	
MBOE		20.6	38.1	62.5	84.7	107.2	119.2	

Footnotes are an integral part of the table.

Source: Quarterly Federal Energy Usage Report (DOE Form 6200.2) and FY 1980 Annual Report.

[1]Numbers updated by reporting agency specifically for inclusion in this report.

[2]Numbers derived from Quarterly Federal Energy Usage Reports.

Unfootnoteded numbers (FY 1975-80) were not revised by agencies from FY 1980 Report

[A]Transportation data adjusted to include Maritime Administration.

[B]Other includes: Justice[1], Treasury[2], Commerce[1], Panama Canal Commission[1], Labor[2], EPA[2], TVA[1], NSF[1], HUD[1], STATE[2], OPM[1], ICC[2], SBA[2], FCC[1], CAB[2].

Table 1

FEDERAL ENERGY USE IN BUILDINGS
(IN BILLIONS OF BRITISH THERMAL UNITS [BTU x 10^9] AND MILLIONS OF BARRELS OF OIL EQUIVALENT [MBOE])

AGENCY/ DEPARTMENT	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	% Change 1975-1981
DEFENSE[A]	630,100.2[1]	592,884.5[2]	586,468.0[2]	576,386.0[2]	569,104.2[2]	560,258.3[1]	558,358.1[1]	-11.4
ENERGY[B]	61,002.1[1]	62,490.6[1]	64,097.0[1]	65,421.1[1]	60,371.8[1]	57,355.3[1]	57,145.5[1]	- 6.4
USPS	47,981.6[1]	47,299.1[1]	51,089.0[1]	47,002.0[1]	44,826.6[1]	41,370.5[1]	40,228.6[1]	-16.2
GSA	42,940.0[1]	41,059.9[1]	41,080.2[1]	41,258.1[1]	40,435.8[1]	38,827.2[1]	39,064.6[1]	- 9.0
VA	38,587.7[1]	35,834.3	37,311.0	38,834.7	37,853.8	37,115.8	36,913.3[1]	- 4.3
NASA	25,069.0[1]	23,622.0[1]	22,269.0[1]	20,802.0[1]	20,629.0[1]	19,569.0[1]	19,412.0[1]	-22.6
DOT	16,778.0[1]	15,192.0[1]	16,317.0[1]	16,330.0[1]	15,720.0[1]	15,763.0[1]	17,032.0[1]	+ 1.5
HHS	8,521.1	8,818.5	9,236.6	8,898.5	9,069.5	8,943.7	10,030.3[1]	+17.7
INTERIOR	8,837.2[1]	9,491.9[1]	10,021.2[1]	8,593.1[1]	8,630.3[1]	8,219.5[1]	7,592.5[1]	-14.1
AGRICULTURE	6,755.7	6,056.1	5,477.2	5,457.6	5,751.8	5,845.2	6,488.9[1]	-3.9
OTHER[C]	13,084.3	13,068.8	13,820.9	14,478.5	14,634.5	14,155.6	15,754.7[1,3]	+20.4
TOTAL								
BTU x 10^9	899,736.9	845,817.7	857,189.1	843,461.6	827,047.3	807,423.1	808,020.5	-10.2
MBOE	155.1	145.8	147.8	145.4	142.6	139.1	139.3	
ANNUAL SAVINGS FROM 1975								
BTU x 10^9		53,919.2	42,547.8	56,275.3	72,689.6	92,313.8	91,716.4	
MBOE		9.3	7.3	9.7	12.5	16.1	15.8	
CUMULATIVE SAVINGS FROM 1975								
BTU x 10^9		53,919.2	96,467.0	152,742.3	225,431.9	317,745.7	409,462.1	
MBOE		9.3	16.6	26.3	38.8	54.9	70.6	

Footnotes are an integral part of the table.

Source: Quarterly Federal Energy Usage Report (DOE Form 6200.2) and FY 1980 Annual Report.
[1]Numbers updated by reporting agency specifically for inclusion in this report.
[2]Numbers derived by DOE equation to factor out cold iron.
[3] Numbers derived from Quarterly Federal Energy Usage Reports.
Unfootnoted numbers (FY 1975-80) were not revised by agencies from FY 1980 Report.
[A]DOD: Figures for cold iron (energy source for ships in port) reported in Table 3: General Operations.
[B]DOE: Data represents lighting, heating, ventilation, air condition (HVAC), and Building Services. Process and Facility energy reported in Table 3: General Operations.
[C]Other includes: Justice[1], Treasury[3], Commerce[1], Panama Canal Commission[1], Labor[3], EPA[3], TVA[1], NSF[1], FCC[1].

Table 8

ENERGY USE IN GENERAL OPERATIONS (VEHICLES AND EQUIPMENT AND PROCESS OPERATIONS)
BY FEDERAL AGENCIES
(IN BILLIONS OF BRITISH THERMAL UNITES [Btu x 10^9] AND MILLIONS
OF BARRELS OF OIL EQUIVALENT (MBOE)

AGENCY/ DEPARTMENT	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	% Change 1975-1981
DOD/Veh-Equip.	858,900.0[1]	788,384.6	799,099.3	771,702.2	797,016.8	817,014.0[1]	878,867.0[1]	+2.3
DOD/C.Iron[A]	15,899.8[1]	15,536.1[2]	15,657.5[2]	17,656.0[2]	18,047.8[2]	17,487.5[1]	18,238.1[1]	+14.7
DOE/Veh-Equip.	1,950.2[1]	2,092.7[1]	2,142.3[1]	2,423.3[1]	2,279.5[1]	2,334.6[1]	2,461.3[1]	+26.2
DOE/Process[B]	23,696.4[1]	27,120.0[1]	22,034.0[1]	19,686.7[1]	24,384.0[1]	24,260.2[1]	26,162.2[1]	+10.4
DOT	11,372.0[1]	12,249.0[1]	12,471.0[1]	12,574.0[1]	11,915.0[1]	11,761.0[1]	11,061.0[1]	- 2.7
USPS	11,342.8[1]	11,130.7	11,739.5	11,517.6	11,132.2[1]	10,831.3[1]	10,698.1[1]	- 5.7
AGRICULTURE	5,173.1	5,550.6	5,295.2	5,765.2	5,481.6[1]	5,322.5	4,579.7[1]	-11.5
INTERIOR	3,432.4[1]	3,566.3[1]	3,508.1[1]	3,734.9	3,924.7[1]	3,450.8	3,088.2[1]	-10.0
TREASURY	2,231.3	2,224.9	2,235.7	2,234.0	2,183.0	1,958.3	1,925.5[3]	-13.7
NASA	1,687.0[1]	1,664.0[1]	1 719.0[1]	1,676.0[1]	1,864.0[1]	1,758.0[1]	1,818.0[1]	+ 7.8
JUSTICE	1,850.5	2,195.8	1,999.7	1,959.1	2,054.3	1,956.5	1,785.8[1]	-3.5
TVA	1,081.1[1]	1,341.4[1]	1,699.0[1]	2,015.3[1]	2,073.6[1]	1,803.0[1]	1,448.3[1]	+34.0
OTHER[C]	4,988.8	5,163.5	5,151.1	5,111.8	4,964.2	5,341.1	3,944.4[1,3]	-20.9
TOTAL								
BTU x 10^9	943,605.4	878,219.6	884,752.0	858,056.1	887,321.0	905,278.7	966,077.6	+2.4
MBOE	162.6	151.4	152.6	147.9	153.0	156.1	166.6	
ANNUAL SAVINGS FROM 1975								
BTU x 10^9		65,385.8	58,853.4	85,549.3	56,284.4	38,326.7	-22,472.2	
MBOE		11.3	10.1	14.7	9.7	6.6	-3.9	
CUMULATIVE SAVINGS FROM 1975								
BTU x 10^9		65,385.8	124,239.2	209,788.5	266,072.9	304,399.6	281,927.4	
MBOE		11.3	21.4	36.3	45.8	52.5	48.6	

Footnotes are an integral part of the table.
Source: Quarterly Federal Energy Usage Report (DOE form 6200.2) and FY 1980 Annual Report.
[1]Numbers updated by reporting agency specifically for inclusion in this report.
[2]Numbers derived from DOE equation.
[3]Numbers derived from quarterly Federal Energy Usage Reports.
Unfootnoted numbers (FY 1975-80) were not revised by agencies from FY 1980 Report.
[A]DOD/Cold Iron: Energy source for ships in port. Figures are still under review at this time.
[B]DOE/Process Energy: Energy used for performing production, fabrication and research operations at facilities.
[C]Other includes: GSA[1], VA[1], HHS[1], Commerce[1], Panama Canal Commission[1], Labor[3], EPA[3], NSF[1], FCC[1], HUD[1], STATE[3], OPM[1], ICC[3], SBA[3], CAB[3].

ENERGY USE BY FEDERAL AGENCIES ($BTUX10^9$)

AGENCY	FY 1975 (Base Year)	FY 1979		FY 1980		FY 1981		FY 1982 (Preliminary)
Defense **	1,504,900.0	1,384,168.8	+ 0.8%	1,394,759.8	+ 4.4%	1,455,463.1	+2.2%	1,486,432.2
Energy **	86,728.7	87,035.3	- 3.5%	83,950.1	+ 2.2%	85,769.0	+4.4%	89,557.2
USPS	59,324.4	55,959.2	- 6.7%	52,201.8	- 2.4%	50,926.7	-3.0%	49,409.4
General Services	43,110.8	40,591.4	- 4.9%	38,965.6	+ 0.6%	39,195.4	-0.3%	39,069.2
Veterans Adm.	39,208.5	38,464.7	- 2.1%	37,677.3	- 0.5%	37,484.5	+1.3%	37,980.3
Transportation	28,150.0	27,635.0	- 0.4%	27,524.0	+ 2.1%	28,093.0	+1.6%	28,539.8
NASA	26,756.0	22,493.0	- 5.2%	21,327.0	- 0.5%	21,230.0	+2.7%	21,795.9
Interior	12,269.6	12,555.0	- 7.0%	11,670.3	+ 0.1%	10,680.7	+0.2%	10,697.8
Agriculture	11,928.8	11,233.4	- 0.6%	11,167.7	- 0.9%	11,068.6	+6.3%	10,373.9
HHS	9,264.0	9,715.7	- 1.7%	9,549.4	+10.8%	10,584.4	-3.3%	10,235.3
Other*	21,701.5	24,516.9	- 2.5%	23,908.9	- 1.3%	23,602.6	+1.4%	23,925.2
Total	1,843,342.3	1,714,368.4		1,712,701.9		1,774,098.0		1,808,016.2
Percent change year to year			-00.1%		+3.6%		+1.9%	
Percent change from base year of FY 1975		-7%		-7.1%		-3.8%		-1.9%

* Other includes: Justice, Commerce, Treasury, Labor, PCC, EPA, TVA, NSF, HUD, OPM, SBA, FCC, State, ICC and CAB

** The increases in energy consumption by DOD in FY's 1981 and 1982 result largely from increased missions for aircraft and ships as well as the inclusion of chartered fleet fuel for the first time; the increases in DOE result from extensive increases in pumping requirements at the Strategic Petroleum Reserve and the operation of the linear accelerator at Standford.

FEMP WORKSHOPS

Senator McCLURE. And I would understand from your response areas that you would prefer to do this on a department-by-department basis.

Mr. TRIBBLE. That's right.

Senator McCLURE. If you would do that for our record, please.

Under the FEMP program, you propose to continue workshops and seminars for life cycle costs energy in design, and employee awareness.

Are those workshops really necessary?

Mr. TRIBBLE. They are very productive. We had some workshops in which we participated with the American Institute of Architects on making modifications in the energy utilization improvements. A number of Federal agencies did participate in these workshops, and they thought they were quite beneficial.

Senator McCLURE. Do you get any FHA and Farmer's Home Loan Administration participation in these workshops?

Mr. TRIBBLE. We think they did.

Senator McCLURE. Do you have any idea whether or not they have made any progress toward using energy efficiency in their appraisal program for loans in housing?

Mr. TRIBBLE. Mr. Chiogioji mentioned that FHA has. Would you like to elaborate on that?

Mr. CHIOGIOJI. We worked with the FHA a couple of years ago and one of the criteria was energy efficiency. I'm not sure exactly to what extent that's committed there, but I do know we are working with them and they are working toward implementing that.

Senator McCLURE. Do you know how they intend to?

Mr. CHIOGIOJI. I'm not certain. We'll have to do some research on that.

Senator McCLURE. Could you provide that for the record, please? We have been trying for the last several years to get them to change the appraisal so that the potential purchaser can finance the purchase, if he could just break through, and two governmental lending agencies have also been involved in that.

It would make quite a difference in the availability of capital within the capital market for housing.

[The information follows:]

RECOGNITION OF ENERGY FEATURES IN THE FEDERAL MORTGAGE APPRAISAL PROCESS

The market value of residential energy-efficiency features is recognized in various Federal mortgage lending and appraisal processes. For example, the Federal Housing Administration requires that appraisers complete the home energy checklist (see attachment A) everytime an existing home is appraised and to make recommendations for ways to improve the home's energy efficiency. A copy of the checklist and recommendations is given to the buyer by the mortgage lender. If energy efficient features are present in the home, their value is reflected in the mortgage value. The checklist also is used by the Veterans Administration.

The Federal Home Loan Mortgage Corporation (FHLMC) recently released a new energy addendum form (see attachment B) to assist appraisers in estimating the value of energy-saving components in new and existing properties and to provide lenders with energy efficiency information for use in underwriting. The energy addendum in-

cludes a checklist of energy-saving components; a method for estimating the value of the components in the absence of comparable market data; and a rating of a home's energy efficiency. FHLMC also permits lenders to increase the debt to income ratio for energy efficient properties.

The Farmers Home Administration has adapted a life cycle cost analysis approach developed by the Department of Energy to appraise the value of energy saving measures. This value-in-use approach is used mostly for appraising new construction properties, but also is applied to retrofit loans. (See attachment C).

Attachment A

Form Approved
OMB No. 76-R0743

Veterans Administration

HOME ENERGY CHECKLIST

(Attachment to VA Form 26-1843 and HUD Form 92800-5)

CASE NUMBER

NOTE: The amount of value shown in Item 14 of VA Form 26-1843/HUD Form 92800-5 may be increased by up to one of the following if such increase is expended for weatherization and/or energy conservation improvements to the property: (a) $2000, without a separate value determination, (b) $3500, if supported by a value determination by a designated appraiser; or, (c) more than $3500, subject to appraisal by VA or HUD, as applicable, and subsequent endorsement of the VA Certificate of Reasonable Value or HUD Conditional Commitment.

The specific areas of the property listed below are those that have been identified as potential sites where home energy can be lost. Examine those areas listed and check each that, if corrected or improved, could result in energy and monetary savings for the homeowner.

AREA(S) FOR POTENTIAL ENERGY SAVINGS *(Check each applicable box)*

☐ 1. **THERMOSTATS** – Consideration should be given to clock thermostats.

☐ 2. **WATER HEATERS** – Consideration should be given to an insulation wrap.

☐ 3. **HEATING/COOLING SYSTEM** – Insulate ducts and pipes in unheated spaces.

☐ 4. **ATTIC INSULATION** – See map below for location of the property and recommended minimum insulation.
CAUTION: Do not forget to consider ventilation.

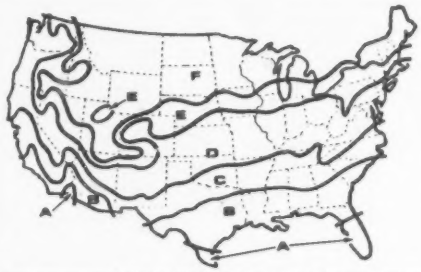
☐ 5. **FLOORS AND FOUNDATION WALLS** – Adequate insulation is needed:

☐ A. UNDER FLOORS
☐ B. AROUND BASEMENT
☐ C. CRAWL SPACE
☐ D. FOUNDATION WALLS

☐ 6. **WINDOWS AND DOORS** – Storm windows are recommended in areas D, E and F for all fuels and for electric heat in areas B and C (see map below). Consideration should be given to installation of:

☐ A. WEATHER-STRIPPING/CAULKING TO PREVENT AIR ESCAPES FROM OPENINGS *(Including pipes/ducts)*
☐ B. _____ STORM WINDOWS
☐ C. _____ STORM DOORS
☐ D. DOUBLE OR TRIPLE GLAZED PRIME WINDOWS WITH WEATHER-STRIPPING

RECOMMENDED CEILING INSULATION BY ENERGY TYPE AND DEGREE-DAY ZONE



INSULATION CONVERSION TABLE		
R VALUE	EQUIVALENTS	
	BATT OR BLANKET	LOOSE FILL
19	5½ – 6½ inches	6½ – 8⅝ inches
22	6½ inches	7 – 9⅛ inches
30	9 inches	10 – 11 inches
38	12 inches	13 – 17 inches

The minimum amounts of ceiling insulation that the Department of Energy considers desirable for existing homes are listed below.

The amounts range from R-38 to R-19, according to heating degree-days and type of energy – gas, oil, or electricity – used for heating. Electricity is divided into two categories, resistance heat and the heat pump. The DOE minimums, as shown on the map, are:

Zone A ((0-1000 degree-days) (Includes Hawaii and Puerto Rico)) – All energy types, R-19.
Zone B (1001-2500 degree-days) – Gas, oil and electric heat pump, R-19. Electric resistance heat, R-22.
Zone C (2501-3500 degree-days) – Gas, oil and electric heat pump, R-22. Electric resistance heat, R-30.
Zone D (3501-6000 degree-days) – All energy types, R-30.
Zone E (6001-7000 degree-days) – Gas and oil, R-30. All electric heat, R-38.
Zone F ((7001 or more degree-days) (Includes Alaska)) – All energy types, R-38.

Duct and pipe insulation, and water heater insulation are recommended in all climate zones. Floor insulation is recommended for electric resistance heating in all zones with more than 2500 degree-days and for other energy sources and heat pumps in zones above 3500 degree-days; either R-19 or R-11 is recommended.

HUD-92800-5n (7-81)/VA 26-1843n (9-80)

ATTACHMENT B

ENERGY ADDENDUM—RESIDENTIAL APPRAISAL REPORT

This Energy Addendum is an optional report designed to assist appraisers in (1) describing the energy efficiency of the subject property and (2) estimating the value of energy-saving items in those instances when adequate comparable market data are not available. It may be used as an attachment to FHLMC Form 70, 72 and 465.

Borrower _____

Property address _____

PART I—Energy Checklist

In this section the appraiser should note the energy-efficient characteristics of the subject property and use these characteristics as a basis for rating the property's overall energy efficiency (high, adequate or low). The appraiser's rating of energy efficiency may be utilized by the lender to justify higher housing expense and total debt-to-income ratios for investment-quality loans.

The comment sections should be used to describe the specific features and the quality of installation of the energy-efficient item(s) or technique(s). For example, in the heating and cooling section below, if the Energy-efficient furnace box is checked by the appraiser, those features that make the furnace "energy efficient" should be explained.

INSULATION *(Check if present, state "R" value)*

- ☐ Attic/roof: R-_____
- ☐ Walls: R-_____
- ☐ Floors: R-_____
- ☐ Slab/perimeter: R- _____
- ☐ Foundation walls: R- _____
- ☐ Water Heater
- ☐ Heat/cooling ducts or pipes

Comments *(Describe quality and adequacy)*: _____

WINDOWS AND DOORS

- ☐ Double (storm)/triple glazed windows
- ☐ Storm doors: On ____ of ____ doors
- ☐ Weatherstripping
- ☐ Caulking
- ☐ Other: _____

Comments *(Describe quality and adequacy)*: _____

HEATING AND COOLING

a. Conventional equipment

- ☐ Automatic setback thermostat
- ☐ Automatic flue damper
- ☐ Energy-efficient furnace/air conditioner
- ☐ Energy-efficient water heater
- ☐ Special fireplace devices/features *(Describe in comments)*
- ☐ Wood burning stove
- ☐ Other: _____

Comments *(Describe quality and adequacy)*: _____

b. Solar equipment or design

- ☐ Passive solar design/landscaping — exterior *(Describe features below)*
- ☐ Passive solar design — interior *(Describe features below)*
- ☐ Solar space heating/cooling ☐ Back-up system
- ☐ Solar hot water heating
- ☐ Earth-sheltered housing design
- ☐ Other: _____

Comments *(Describe quality and adequacy)*: _____

ENERGY RATING

Has an energy audit/rating been performed on the subject property?

☐ Yes *(Attach, if available)* ☐ No ☐ Unknown

Energy efficiency appears:

☐ High ☐ Adequate ☐ Low

General comments: _____

Date _____ Appraiser(s) signature(s) _____

FHLMC Form 70A 1/89

PART II—Estimate of Value of Energy-Saving Items

This section is to be used for estimating the value of energy-saving items in those instances when adequate comparable market data are not available.

The value of the energy-saving items should be the lesser of:

(a) the present worth of the estimated savings in utility costs, as determined by capitalizing the savings at an interest rate not less than the current interest rate for home mortgages for a period which does not exceed the lesser of the item's expected physical life or seven years; or
(b) the installed cost of the energy-saving item or construction technique, less any physical, functional and economic depreciation.

As a matter of underwriting policy, FHLMC will limit the value contribution of the energy-saving items to five percent (5%) of the estimated value of the subject property.

VALUE CALCULATIONS *(Use additional forms if more than three items.)*

1. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life ____ years
Source(s) of savings estimate _____

Use this space to show all calculations

a. Present worth of estimated savings ..... $_____
b. Installed cost of item or technique (less any depreciation) ..... $_____
Estimated value of item (the lesser of a or b) ..... $_____ (1)

2. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life ____ years
Source(s) of savings estimate _____

Use this space to show all calculations

a. Present worth of estimated savings ..... $_____
b. Installed cost of item or technique (less any depreciation) ..... $_____
Estimated value of item (the lesser of a or b) ..... $_____ (2)

3. Description of item or construction technique _____

Estimated monthly savings $ _____ Expected life ____ years
Source(s) of savings estimate _____

Use this space to show all calculations

a. Present worth of estimated savings ..... $_____
b. Installed cost of item or technique (less any depreciation) ..... $_____
Estimated value of item (the lesser of a or b) ..... $_____ (3)

Estimated total value of item(s) or technique(s) *(The sum of (1), (2) and (3) above)* ..... $_____

(In the market data analysis section of the appraisal report, you may enter the lesser of this figure or an amount not to exceed five percent of the value of the property.)

The appraiser has utilized acceptable valuation methodology in this analysis in order to develop an estimate of the present worth of the items and techniques contributing to the energy efficiency of the property. The results are subject to variance based on the effective use and maintenance of the items and the lifestyle of the occupants of the property.

Date _____ Appraiser(s) Signature(s) _____

Attachment C

FmHA Instruction 1922-B
Exhibit A

Guide for Appraisal of Energy Saving Measures,

the "Value-in-Use" Approach

Introduction.

This guide may be used for appraisal of energy saving measures or for estimating the impact of energy saving measures on market value.

The described methodology, indicated in this guide, is an adaptation of the procedure for Life Cycle Cost Analysis developed by the Department of Energy and published in 10 CFR Part 436. This methodology is applicable for use on those energy saving measures which have been approved by the State Director and/or are otherwise acceptable in accordance with Farmers Home Administration procedures and policy.

Definitions.

Value-in-Use. The value of an economic good to its owner/user/investor based upon its expected productivity or savings.

Energy Saving Measure. Any device, equipment, material, process, construction method, system, structure or combination thereof that will result in a reduction of energy usage when compared to conventional energy related practice in the area of the project.

Conventional Energy Related Practice. Any device, equipment, material, process, construction method, system, structure or combination thereof as they relate to energy usage, that are common to a particular area and/or are required by local, State or federal regulations or standards.

Representative Structure. A building or facility similar in all ways to the proposed or existing building or facility with the exception that conventional energy related practice has been substituted for the proposed energy saving measures.

Economic Life. The period of time over which the energy saving measure may reasonably be expected to perform the function for which it was designed or intended without major renewal or overhaul.

Study Period. The period of time equal to the economic life of the energy saving measure of 25 years whichever is shorter.

Annual Energy Cost Savings. The difference in the first year cost of energy of the proposed or existing building or facility as compared to the energy cost of its representative structure. For the purpose of this methodology the cost of energy may be based upon the unit fuel cost applicable in the project area at the time of the appraisal.

Annual Operation and Maintenance Cost. The incremental cost to operate and maintain an energy saving measure as compared to the operation and maintenance costs of its representative structure.

Methodology.

Worksheet A (attached) may be used to organize the information and calculations of the Value-in-Use appraisal.

Step 1: Identify the energy saving measures.

Step 2: Identify the representative structure upon which energy cost savings, incremental construction cost and incremental operation and maintenance costs will be based.

Step 3: Determine the study period of the energy saving measure. (Item C on worksheet) The study period is equal to the economic life of the energy saving measure or 25 years, whichever is shorter.

In determining the economic life, consideration may be given to obsolescence, age, durability and reliability of components, cost and complexity of operation and maintenance procedures and the likelihood that the owner will carry out the necessary operation and maintenance or undertake necessary repairs. In this regard, the availability of qualified service personnel, spare parts and the quality of operation and maintenance manuals as well as warranties and long term service contracts may be considered.

Ordinary, energy saving measures which depend upon the operation of mechanical subsystems are not assigned a useful life greater than 15 years. Furthermore, of these systems, only durable, low maintenance, non-complex systems with well documented operations and maintenance procedures, located in areas having ready access to service personnel are assigned a useful life as high as 15 years.

If the study period of identified energy savings measures differ, the energy saving measures having similar study periods should be grouped together. Each of these groups will form the basis of a separate Value-in-Use computation. The composite Value-in-Use is simply the sum of the Value-in-Use computed for each of these groups.

Step 4: Determine the first year annual energy cost savings. (Item D on worksheet) This determination may be made from information provided by the proponent of the project, an energy auditor, the manufacturer/supplier of the energy saving measure or as determined by FmHA analysis of the proposed energy saving measures. If energy cost savings cannot be reasonably determined using accepted calculation procedures, or if the savings are otherwise indeterminable, the Value-in-Use methodology is not applicable. It may be possible in some of these instances, however, to establish a minimum level for expected energy cost savings. This savings may be used in the Value-in-Use analysis. The annual energy cost savings may be increased by 10 percent for proposed or newly implemented energy saving measures to approximate the value of energy savings that may not be reflected in the current average price of fuel.

Step 5: Determine the annual operation and maintenance (O&M) cost of the energy saving measures as compared to the representative structure. (Item E on worksheet) These costs include service contracts, energy required to operate the energy saving measure (pumps, motors, blowers etc.), insurance, chemicals, minor repairs and/or replacement of components and other costs necessary to operate and maintain the energy saving measures. For the purpose of this method the total incremental operation and maintenance cost may be averaged over its study period without regard to the actual timing of the costs. Unless other information is available, the annual incremental O&M costs may be assumed equal to one (1) percent of the incremental construction cost of the energy saving measure as compared to its representative structure. Energy saving measures which have no mechanical subsystem operations may be assumed to have zero annual O&M cost unless other information indicates that another incremental cost is appropriate. If annual energy cost savings are increased by 10 percent as described in step 4, then applicable energy related O&M costs should be similarly increased by 10 percent.

Step 6: Determine the inflation modified uniform present worth factor as it applies to the energy saving measure, from the applicable tables (B-1 through B-10) published by the Department of Energy in 10 CFR Part 436. (These tables will be kept current and supplied to the appraisers by the Architect or Engineer in each State.) These modified uniform present worth factors are based on a real rate of return of 7 percent and are adjusted for the relative price inflation of various fuels over a period of 25 years. They are tabulated for each Department of Energy Region and type of facility (Residential, Commercial or Industrial). (See Items D and E on worksheet.)

Step 7: Determine the uniform present worth factor for future annually recurring costs. (See Item E on worksheet) This factor is given in table A-2 of 10 CFR Part 436. (These tables will be provided by the State Architect and/or Engineer.) It is used in conjunction with the annual O&M costs determined in Step 5. Note: The O&M costs may contain a fuel use component. For the purpose of this methodology the simplifying assumption

is made that use of the factor given in Table A-2 for non-fuel and for fuel related O&M costs would not significantly reduce the accuracy of the Value-in-Use determination. If fuel usage, however, is a significant portion of the O&M costs as determined by the appraiser, it may be shown separately under a second category of O&M expenses. (See item E 2 of worksheet.)

The appropriate discount factor for fuel related O&M costs would then be found in the applicable table of Tables B-1 through B-10 for the type of fuel used in operation and/or maintenance activities.

Step 8: Compute the Value-in-Use following the steps shown in Worksheet A. (See Item F on worksheet)

Appraisal. (See Item G on worksheet)

The total estimated property value is determined by adding the computed Value-in-Use or the incremental construction cost of the energy saving measures (whichever is lower) to the estimated value of the representative structure.

Value-in-Use and Cost Effectiveness.

In general, an energy saving measure(s) will be considered cost effective, from the point of view of Federal government investment, when the Value-in-Use is greater than the incremental construction cost of the energy saving measure. If the incremental construction cost exceeds the Value-in-Use the energy saving measure may still be cost-effective when:

1. Salvage value of energy saving measures having economic lives greater than 25 years is significant; or

2. The economic life of the energy saving measure is greater than the economic life of the alternative conventional energy related practice.

In these instances further analysis may be necessary to determine cost-effectiveness. In most instances, however, the Value-in-Use will be an acceptable estimate for the cost-effective limit of FmHA investments in energy saving measures.

WORKSHEET "A"

PROJECT: _____
ADDRESS: _____

ENERGY SAVING MEASURES:
(List)

A. DEPARTMENT OF ENERGY (DOE) REGION _____

B. TYPE OF FUEL SAVED _____

C. STUDY PERIOD _____ (YEARS)

CALCULATION OF VALUE-IN-USE

		$/YEAR		PRESENT WORTH FACTOR (1)		
D.	ANNUAL ENERGY COST SAVINGS	_____	X	_____ From Table B	=	_____ "V1"
E.	INCREMENTAL ANNUAL O&M COSTS					
E-1	GENERAL O&M	_____	X	_____ From Table A-2	=	_____ "V2"
E-2	FUEL RELATED O&M (optional)	_____	X	_____ From Table B	=	_____ "V3"

Fuel Type: _____

F. VALUE-IN-USE = "V1" - "V2" - "V3" = $ _____

G. INCREMENTAL CONSTRUCTION COST: $ _____

APPRAISAL OF ENERGY SAVING MEASURE (2): $ _____

NOTES

(1) Present Worth factors are published by the Department of Energy in 10 CFR Part 436, "Methodology and Procedures for Life Cycle Cost Analysis".

(2) Lower of Line F or Line G.

DIFFERENCE BETWEEN MINIMUM STANDARDS AND ECONOMIC EFFICIENCY

Mr. CHIOGIOJI. We are also working with the Federal Home Loan Bank Board in that area.

Senator MCCLURE. There is a difference between minimum standards and economic efficiency.

Mr. TRIBBLE. In that same vein, I would like to mention that, at the energy technology conference that was recently concluded here in Washington, the regional manager of the Northeast section of the U.S. Postal Service received an award from Energy Users News for the progress that they have made in reducing energy in the Postal Service in that region.

Senator MCCLURE. It must be because they're using electric vehicles. [Laughter.]

Mr. TRIBBLE. I wish I thought that that was the case, but I'm afraid that it is not. I think it is the result of a meticulous inventory of the energy they have used in the various buildings and the consideration of steps to be taken to reduce it.

INDUSTRIAL PROGRAMS

Senator MCCLURE. Turning to industrial programs, you are requesting some $10,633,000, which is a 62-percent reduction from the 1983 level of $27,900,000.

It has been reported many times, and may even be an accepted fact, that industrial conservation programs show a greater potential for total energy savings than any other conservation activity.

Would you agree with that?

Mr. TRIBBLE. That's right.

Senator MCCLURE. Well, if it is an accepted fact that industrial conservation has the best potential payoff, why are you reducing the size of the program?

Mr. TRIBBLE. Because I am convinced that the industrial sector made that progress on the basis of technologies that they were well aware of and by the implementation of measures that were not a result of the Federal Government's activity.

I happen to have been in that business for many years and I know that, as the price of energy increased in 1973, there were many things that could be done that simply had not been done in the past because the cost of energy was so low.

There were steam pipes that weren't insulated; there were leaks that were left unattended; there were buildings that were not closed up. And these were the types of things that were merely housekeeping measures that were done immediately when the price of energy started up.

There was a great deal that could be and was done. Later, after several years, after most of the housekeeping measures had been taken and the price of energy was continuing to rise, it appeared that capital investments by the various segments of industry were raised in importance to the point where they could compete favorably before the

boards of directors for production facilities and the other parts of the operation. A good bit of money was then spent on capital expenditures, processes improvements, things of that nature, that have caused the reduction in industrial energy to lead the pack.

Between 1972 and 1981, in the 10 most energy-intensive industries, the energy required per unit of production was reduced by more than 20 percent.

This is aside from any change in level of economic activity because this is on a unit-of-production basis, and it is my personal contention that an industry that is using a lot of energy has ample incentive to do what is needed to reduce its energy bill.

POTENTIAL OF INDUSTRIAL PROGRAM

Senator McCLURE. Now, you have cited past actions and yet you have stated the potential for the future in this area is great.

How do you get from past action based upon a rising cost of energy market to future actions on a declining cost of energy market?

Mr. TRIBBLE. The price of energy is still high enough so that as new plant and equipment are put in service, a great deal of attention will be given to the energy efficiency.

Senator McCLURE. Are you looking only to new plants and equipment, or are you looking toward those conservation activities in existing plants and equipment?

Mr. TRIBBLE. I think there is room for improvement in both of them.

Senator McCLURE. Well, is it going to be this same kind of dramatic process in the future in existing plants and equipment that has been characteristic of the last several years?

Mr. TRIBBLE. I think that, in the building of new plants, it is entirely possible to see as much progress from the current bases to the new base as there has been from the 1972 to 1981.

On the other hand, you will not be able to retrofit present industrial equipment in order to achieve that much additional improvement.

Senator McCLURE. Hasn't most of the energy conservation to which we pointed in the industral conservation programs been done in the larger industrial operations?

Mr. TRIBBLE. I'm going to ask Mr. Streb to answer that question.

Mr. STREB. I believe that's true. The bulk of the energy use is limited to 10 to 15 major industrial sectors.

Senator McCLURE. Let me ask then whether, in absolute terms or relative terms, do small industrial and business organizations have the same percentage reduction in energy consumption that is characterized by the larger industrial concerns?

Mr. STREB. I don't think we have the data to be able to make that comparison. Our reporting system covers just the largest firms, just firms that use over 1 trillion Btu's annually. However it would be my opinion that most of the progress has been made in larger firms, and that the smaller firms have made progress to a lesser extent.

Senator McCLURE. I would not disagree with that statement. I would expect that that's true based upon the information that I have.

Is that attributable to the fact that small industrial concerns and businesses have less financial capacity for the R&D and/or capital investment that's necessary?

Mr. STREB. In general I would say that the smaller companies have less in the way of resources generally, and for that reason would be slower to respond than the larger, better financed companies.

Senator McCLURE. Is it in that area where there's been less progress in the last several years in which we could look toward better progress the next few years? Is the potential for conservation greater there?

Mr. STREB. I think the potential for conservation lies really in both areas. I think there's great potential in the large companies as well as the small companies, and we can look for future progress in both areas.

Senator McCLURE. If in fact we have made less progress among the smaller concerns in the past and, therefore, have in that area a relatively higher potential for the future because of their lack of progress in the past, and if they have lagged because of a lack of capacity to conduct the R&D and the capital investment for conservation, doesn't that indicate we ought to have a continued governmental focus on R&D to assist in getting that done?

Mr. TRIBBLE. First, we do not have any data that indicates that smaller businesses have not made just as much progress as the larger businesses.

But the progress that has been made is not because of R&D. It's simply because of the installation of measures and use of technology that's been known a long, long time. This is because the industry that was in place in 1972 was built when energy was not much of a consideration, so that there is an opportunity for substantial improvement.

We have adequate knowledge now to build energy-efficient plants and equipment as we go forward; and as new equipment is put in place, the process will be examined and steps will be taken so that the process will be altered and will not require as much energy as the old process did.

That is an area where we expect to make strides in the future. That will be ongoing even at present-day prices.

LONG-TERM AND SHORT-TERM R&D

Senator McCLURE. You have stated in your written testimony that contrary to popular belief, industry does focus on more than short-term research and development, and you cite as examples the forest products industry, who must wait 30 years for payoff, and the drug industry, who must wait 10 or more years before a product can be brought to market.

The implication in the testimony is that these industries with those time lags do invest in conservation—in energy conservation on that kind of timeframe.

Mr. Tribble, wouldn't you agree the forest industry has that long lag in payoff return on investment because it takes that long to harvest the product?

Mr. TRIBBLE. No question about it.

Senator MCCLURE. Isn't it more related to the growing cycle of a tree than it is to the cycle of research and development and investment return?

Mr. TRIBBLE. I think the point has been made often that the industry is not going to do any R&D that doesn't pay off in a very short period of time, and the statements I made were simply to point out some instances when that is not the case.

If the forest products industry were only interested in short-term payoffs, they would not invest in generic research that will require 30 years or more, and that was the point I was trying to make.

Senator MCCLURE. But that's not related to the same kind of investment. They invested long-term research on the growing cycle of trees and because trees don't grow faster than that.

Mr. TRIBBLE. That's true.

Senator MCCLURE. Similarly, in the drug industry, a large part of the reason for the time lag is Government regulations requiring a great deal of testing, so the investment in long-term research and development there is really impelled by Government inefficiency rather than the efficiency of business.

They have the option of making the research or making the investment or going out of business. They don't have the option of investing in shorter-term research because the Government won't let them.

I'm not sure either of those examples really indicate an industry is willing to make long-term investments in R&D on conservation where they do have alternatives.

In both cases you have cited the one is biological and the other is generally that. It's bureaucracy, and in neither case do we have any choice.

I'm not sure that your analogy is very valid.

Mr. TRIBBLE. We have the means now to build buildings that exist in severe climates with relatively little heating system and all of the technology, or virtually all of the technology that goes into such a building, was developed by the private sector over time without Federal help.

This is an indication to me that the price of energy and the innovation of the industry will do a very good job of making further improvements to contribute to more efficient utilization of energy.

Senator MCCLURE. I have no doubt that much of that is accomplished in our society without governmental assistance. I think that's a given.

I wouldn't suggest for a minute the Government is the only purveyor of good in our society, but I think it's equally wrong to go to the opposite extreme and say that the Government can contribute virtually nothing to that process.

And I read you to say that it seems most of the progress has been made in the private sector without Government involvement; therefore, the Government should not be involved because they make very little contribution.

Mr. TRIBBLE. I'm sorry you read me that way. I think this dialog was initiated on the basis of progress made in industry in energy conservation, and I have to state my feeling that the progress that has been made by industry has been almost wholly by virtue not of new technologies, but simply the utilization of things that are well-known. Very little of the progress that has been made thus far has been by virtue of Government programs.

TRANSPORTATION PROGRAMS

Senator MCCLURE. Let's move for a moment to the transportation programs. You have proposed to reduce vehicle propulsion research and development from $35 million to $16,100,000 including no funds for continued Stirling engine development and a reduction from $18,500,000 to $12 million for the advanced gas turbine.

With regard to AGT, you expect work to continue with one contractor rather than two, although you also indicate you expect the one contractor to be a converged industry team.

Have you any recent information which indicates the present contractors will converge into one group?

Mr. TRIBBLE. I don't believe we meant to imply that the present contractors would converge. If I recall the program correctly, it was the original intent of Congress that this program would be carried forward by two contractors for a number of years and to a certain point.

As a matter of fact in the report accompanying the appropriation bill for last year, if I remember it correctly, Congress indicated we should go forward with two contracts in 1983; however, the language implied that the Congress would not rule out the possibility of going to one contractor in 1984.

Senator MCCLURE. Where does that language appear.

Mr. TRIBBLE I believe, if I remember correctly, it was in the report language.

Senator MCCLURE. Would you provide that for the record, please?

Mr. TRIBBLE. Sure.

[The information follows:]

REPORT LANGUAGE ON THE ADVANCED GAS TURBINE

The transportation section of the conference report accompanying the fiscal year 1983 appropriations bill for Interior and Related Agencies states: "The managers are pleased with the progress of the two automotive gas turbines and agree that the competition should continue for another year. The committees will look closely at the program for fiscal year 1984 and consider again whether the competition should continue."

AUTOMOTIVE GAS TURBINE

Mr. TRIBBLE. In the area of the automotive gas turbine, both of the teams have now operated automotive-size gas turbines and we have some automobile engines. The progress we will make for now in improving efficiency will be made through installation of ceramic parts that will enable the machine to operate at higher temperatures.

The progress made to date indicates that ceramics now is the holdup and we have to do considerably more work, particularly the testing of the ceramic impellers and the rotating parts in a hot and oxidizing atmosphere.

We have not been able to develop reproducible ceramic parts that are near the final shape in the casting. We've got to do some development of nondestructive testing, so that we will be able to check the parts that we make and have a reasonable assurance that they won't fly apart in operation.

The development of the engines has largely taken place and the things that we need to do additional work on are further development in the ceramic components.

We would propose—and this budget does propose—that we narrow that effort down to one contractor and that we work with that contractor in testing ceramic parts in the engine. We would also assist the other contractor with the development of ceramic parts.

In other words, we intend to work with both contractors on ceramic parts for the engine, but then narrow the field and use only one of the engines as a test bed. That was the intent of our proposal.

Senator MCCLURE. Well, that's a refinement over the statement in the justification. I appreciate that refinement.

Since the two contractors are using engines of slightly different design and they are using ceramics made of different materials, how will you decide which development will continue and which won't?

Mr. TRIBBLE. That would be a decision for NASA to make. They're the ones who manage the program and I'm sure they would be able to come up with adequate criteria by which to make a satisfactory judgment.

Senator MCCLURE. Did NASA participate with you in developing this budget request of this item?

Mr. TRIBBLE. We had a couple of meetings with them. I'm not sure that they had a lot of input insofar as the level of expenditure was concerned.

We did ask them what would be required in terms of additional dollars if we did go forward with both contractors.

I believe their response was it would take on the order of $12 million additional in order to go forward with both contractors.

Senator MCCLURE. I will submit some questions with respect to the Stirling engine and the hybrid vehicle program.

STIRLING ENGINES

Mr. TRIBBLE. Would you permit me to comment on the Stirling engine?

Senator MCCLURE. Of course.

Mr. TRIBBLE. I think it's important for us to recognize the status of the Stirling engine at this time. The Mod–I Stirling engine has been built and is under test. By the end of 1983, we would expect to have about 2,000 hours of test on the machine.

NASA has found two engine manufacturing concerns willing to test these Stirling engines provided we make them available to them on a cost-free basis; and we would expect that, during the remaining part of fiscal year 1983 and perhaps into early fiscal year 1984, such testing will be done on two Stirling engines.

We think that this will provide adequate testing and adequate opinion on the part of the automotive engine manufacturers to decide whether they feel there is a future for the Stirling engine in automotive applications.

The next phase of the development of the Stirling engine will be to go forward with a Mod–II design. One of the principal objectives of the Mod–II design will be to further reduce the weight-to-power ratio.

It is in essence a complete redesign of the engine. The estimated cost for that is $43 million over several years' time and we feel that we as the Federal Goverment have brought this technology forward to a logical point and that, after the testing and evaluation are done by two competent engine manufacturers, there will be adequate information available on which they can make the decision as to whether or not it's worth further work. And we would urge the committee not to fund an additional effort to begin Mod–II.

Senator MCCLURE. Now, do I infer from your comments that you expect that, if that evaluation is favorable and Mod–II development is justified, the Government still would not invest in that Mod–II development?

Mr. TRIBBLE. That's right, because if it is favorable and it only costs $42 million for a Mod–II to be built, that is a small expenditure for the automotive industry, if they think they have an engine that would be a viable replacement for the internal combustion engine.

Senator MCCLURE. Now, if that were the criteria to be applied to Mod–II, then Mod–I would never have been started, is that not correct? The Stirling engine concept is not a new concept.

Mr. TRIBBLE. That's right.

Senator MCCLURE. The Stirling engine concept has been around for a long time and automotive companies have looked at it over a long period of time; is that not correct?

Mr. TRIBBLE. Yes; and I think maybe your first statement is accurate because I think at least one automotive company spent about $9 million on it and then gave it up.

Senator MCCLURE. And the same thing is true of the turbine engine.

Mr. TRIBBLE. The turbine of course has application in many other areas, and development has taken place in the gas turbine not only for vehicle propulsion, but also for stationary installations.

Senator MCCLURE. But a lot of money in the past has been spent, and again, the technolgy was not unknown. The fact that you're going to have to move to ceramics or other materials to withstand that environment is not unknown.

All of that was identified by earlier tests, was it not?

Mr. TRIBBLE. I'm sorry. I didn't understand that.

Senator MCCLURE. Well, you have indicated that after we finish Mod–I, they can look at it and then if they decide they like it, they can go ahead.

Mr. TRIBBLE. Right.

Senator MCCLURE. And as suggested, if we apply the same tests to Mod–I that we apply to Mod–II, we would never have involved ourselves in Mod–I.

Mr. TRIBBLE. Right.

Senator MCCLURE. The same thing can be applied to the turbine engine, can it not, because again the technology was well-known, the design was well-known, the problems with materials were well-known.

People had been building turbine engines for a long time and they decided that the economic payoff wasn't justified to invest any more, so they didn't invest any more.

Mr. TRIBBLE. I don't think the two are at all comparable.

Senator MCCLURE. Tell me why.

STIRLING VS. GAS TURBINE ENGINES

Mr. TRIBBLE. Because the Stirling engine is a reciprocating engine. It is a capital-intensive engine that requires high-temperature metals. The gas turbine, though, operates with hydrogen or helium and high pressure. The Stirling is a capital-intensive engine that is more useful in a stationary application where it can be operated a large number of hours every year.

If you take a Stirling engine and put it in an automobile and run the automobile, say, 100,000 miles, you will run the engine maybe 4,000 hours over its lifetime when it should be capable of being out on a gas pipeline, for example, and running some 7,500 hours a year.

On the other hand, the gas turbine is a rotating piece of machinery. There are fewer parts to wear. It is more easily maintained. It has a wider application and a number of other uses can be made of the gas turbine, so that the gas turbine is something the industry had every reason to go forward with, and would, and in fact, did.

But the application of Stirling to automobiles was started, if you may recall, in 1954, I believe.

Senator MCCLURE. I think somewhat earlier than that in some forms.

Mr. TRIBBLE. Ok. They had an engine that did in fact work then, but found it wasn't economical. There were also other problems.

For these reasons, I feel the automotive gas turbine has a much better future than the automotive Stirling engine.

Senator McCLURE. If the test is in the private marketplace, and in the judgment of the automotive industry, it has a bright future, aren't they more likely to make that investment?

Mr. TRIBBLE. Yes.

Senator McCLURE. Therefore, the Government would be needed less.

Mr. TRIBBLE. Could be. On the other hand, the spinoffs that we will get from development of ceramics that will withstand the temperatures and environment of the combustion gas turbine could very well be more important than the application to the automotive engine.

Senator McCLURE. I understand that. But it seems to me what you have acquired was a subjective evaluation that, in your opinion, the turbine looks better than the Stirling, and, therefore, you will support the turbine and not the Stirling.

Mr. TRIBBLE. In my judgment as an engineer, I think the gas turbine has a much better opportunity to be useful.

Senator McCLURE. I understood you to say that. But that doesn't seem to me to be the criteria by which you have said you made the determination not to go forward on Mod-II. As I understand what you said there, if the industry decides it isn't worth doing, then you agree; and if the industry decides the turbine isn't worth doing, you're disagreeing?

Mr. TRIBBLE. If the industry decides that the turbine is not worth doing as an automotive device, I think that the value that we will get out of the ceramics will still be beneficial.

ELECTRIC VEHICLE TEST

Senator McCLURE. On page 42 of the justification, you reported that during fiscal year 1982, nickel-iron batteries were tested and evaluated in seven vehicles running 80-mile missions in vehicle site operations. In general, what were the results of these tests?

Mr. TRIBBLE. I'll call on Mr. Brown for that. He's the expert in testing.

Mr. BROWN. The vehicles referred to were in a site at Northrop. Northrop was using them in their plant operation for intraplant deliveries. The range of these vehicles, as measured under that very limited duty cycle, was on the order of 110 miles before being recharged. In addition to that, the durability of the nickel-iron batteries looked very good. The durability being that they were lasting. The problems encountered, however, with the charging were that we had a lot of gasing and, therefore, the adding of electrolyte back to the battery presented some maintenance problems. In general, we learned how to have thermal management and electrolyte management in nickel-iron batteries. They would appear to have application for commercial van types.

Senator McCLURE. Enough to justify further research and development?

Mr. BROWN. Yes; to move again to the electrolyte and thermal management system. Also, General Motors has purchased some for their testing, as well.

Senator MCCLURE. Do you have any mileage cost or lifetime cycle cost?

Mr. BROWN. We do and will provide it.

Senator MCCLURE. Will you do that, please.

[The information follows:]

NICKEL-IRON BATTERY LIFE CYCLE COSTS

The Eagle-Picher nickel-iron battery has shown good progress in obtaining long cycle life while also reducing manufacturing cost. The design of the battery is still evolving, and cycle life testing is still ongoing. Therefore, it is difficult to accurately estimate the final capabilities of the battery. To date, full scale cells have exceeded 800 cycles in testing at Eagle-Picher, and 800 cycles in module tests to 80 percent depth of discharge at the National Battery Test Laboratory. A currently projected mileage for this battery is 80 miles per charge in stop-and-go driving. More information on the cycle life cost for a van and a passenger car follow.

NICKEL-IRON BATTERY LIFE CYCLE COSTS

Vehicle type	Amortized battery cost[1] (cents/mile)	Electricity cost[1] (cents/mile)	Total[1] (cents/mile)
Car	4–8	3	7–11
Van	6–11	5	11–16

[1] 1983 dollars; based on retail battery cost.

ASSUMPTIONS

Parameter	Car	Van
Cycle life (cycles)	800 to 1,200	800 to 1,200
Battery cost to vehicle manufacturer (1983 dollars/kilowatt-hour)	$120 to $150	$120 to $150
Retail battery cost (1.5 times cost to vehicle manufacturer	$180 to $225	$180 to $225
Battery size (kilowatt-hours)	20	30
Range (miles/cycle)	80	80
Electricity consumption (at wall plug, kilowatt-hours/mile)	.4	.7
Electricity cost (1983 dollars/kilowatt-hour)	.07	.07

LEAD-ACID BATTERY RESEARCH

Senator MCCLURE. For 1984, you propose to conduct research aimed at understanding capacity loss and integration of elements in lead-acid batteries.

What do you expect to learn from this research that you don't know already?

Mr. BROWN. In the lead-acid battery, particularly for electric vehicle applications, we will be learning what part of the mechanism leads to a failure of the lead-acid battery in the electric vehicle application. We know a lot about lead-acid batteries, but not as we use them in a car. As we use them in the vehicle, and as we put a surge through the bat-

tery through various types of control mechanisms, we find that there is degradation not only of the component parts, but also in their life, so this kind of research is bringing us to a better understanding of how we could increase the life and reliability of lead-acid batteries.

Senator McCLURE. What have you found, in terms of their life cycle? How many deep discharge cycles do you get without loss of dependability?

Mr. BROWN. In that kind of testing, we find that we have increased to as many as 600 cycles with the lead-acid battery. We find in the vehicle fleet operation that these lead-acid batteries were seen to degrade after about 3 months. With some of the newer parts that we have developed in the program, we extended that to 8 months. Our goal is to get to 15 months or 2 years.

GAS MILEAGE GUIDE

Senator McCLURE. For the record, would you please provide the number of copies of the gas mileage guide printed and distributed in each of the last 5 years, the number expected for fiscal year 1984 and the cost associated with such printing and distribution?

Mr. TRIBBLE. Yes; we will be glad to do that.

[The information follows:]

GAS MILEAGE GUIDE OVERVIEW

The following table presents an overview of the printing and distribution of the gas mileage guide from 1979 through 1984.

Year	Total copies printed	Total copies distributed	Costs (obligations)
1979	16,000,000	15,970,000	$710,000
1980	17,000,000	16,770,000	900,000
1981	15,000,000	13,720,000	1,000,000
1982	7,500,000	5,860,000	960,000
1983	[2] 2,500,000	N/A	([1])
1984 (planned)	[2] 2,500,000	N/A	50,000

N/A—Not available (1983 original distribution—1.85 million to dealers, 0.65 million to TIC inventory).
[1] Utilized fiscal year 1982 carryover funds.
[2] If required by demand, an additional updated printing can be made.

HIGH TEMPERATURE MATERIALS LABORATORY

Senator McCLURE. Under advanced materials development, you have requested $9 million to begin construction of a high temperature materials laboratory. Total construction cost of this project is estimated at $20 million through fiscal year 1988. If I am not mistaken, the Senate Energy and Water Development Appropriations Subcommittee had included funds to begin construction of this lab in their fiscal year 1983 subcommittee bill, but because they could not pass a new separate appropriation act, were forced to drop the project.

In this light, why was this request for 1984 made of this subcommittee rather than of energy and water?

Mr. TRIBBLE. Largely because of the work that's being done in the transportation sector on ceramics. The improvement that has been made

in ceramics through the automotive gas turbine program has been very good, in my opinion. The improvement in the efficiency of that machine will hinge on further development in the ceramics. Whether we have the right ceramic material to go forward, we are not sure. We will learn that as we do the hot spin testing. But because improvement in ceramics is so important to our success in the transportation sector, we felt that the laboratory would be the logical next move in the development of the automotive gas turbine. Unless we come forward with improvements in ceramics, then, of course, we will not be able to go forward with the automotive gas turbine.

Senator McCLURE. But that is not its sole purpose.

Mr. TRIBBLE. That is not its sole purpose, of course, because, as we have in many other industries, the processes are, in fact, limited by temperature considerations of existing materials.

Senator McCLURE. Let me state for the record, it appears to me the development of the lab is a matter of basic materials research rather than a conservation activity and is perhaps more appropriately in the other portion of the budget. I assume you don't have any particular desire to put it one place or another.

Mr. TRIBBLE. We don't have any strong feeling about it. We just simply felt this was a logical place for it by virtue of its association with the transportation program.

Senator McCLURE. In your construction project data sheets provided in the justification, you indicate that a site for this project is yet to be determined. Is this still the case?

Mr. TRIBBLE. No; that is an error. The site has always been considered to be the Oak Ridge National Laboratory, and I am sorry that information is not in the justification.

Senator McCLURE. On page 57 of the justification, you indicate no funds will be necessary for plant, engineering and design, expense funded equipment, and inventories. Why are no funds proposed for these items?

Mr. TRIBBLE. You're speaking of the High Temperature Materials Laboratory?

Senator McCLURE. Yes, sir.

Mr. TRIBBLE. Funding is not for those three categories.

Senator McCLURE. You have nothing in it for engineering and design. Is all the engineering and design completed?

Mr. TRIBBLE. No; but I think a lot of the conceptual design has already been done. Let me ask Mr. Brown.

Mr. BROWN. Conceptual design has been completed but advanced design work has not been initiated. Funds for advanced design work are included in the fiscal year 1984 request for this construction project.

Senator McCLURE. So you have no expense with respect to engineering and design, it's only construction-related moneys?

Mr. BROWN. There are funds requested for advanced design work.

Mr. TRIBBLE. There is $2.8 million indicated for engineering design on page 56. Page 57 of the justification does not break that out separately, though.

Senator McCLURE. Is that engineering design a 1984 expenditure?
Mr. TRIBBLE. Yes, sir.

WEATHERIZATION ASSISTANCE PROGRAM

Senator McCLURE. I'll submit some other questions with respect to the weatherization program the low-income energy weatherization assistance program, in which the Congress has a continuing interest. I am sure that we will be discussing that further as we go through the mark-up of the appropriations measure for 1984. I will not highlight it now, but I did want to at least indicate our continuing interest, so you would not be mislead.

Thank you. Senator Byrd.

CONTRIBUTIONS OF INDUSTRIAL PROGRAM

Senator BYRD. Thank you, Mr. Chairman. I ask unanimous consent that I may submit additional questions for the record.

Senator McCLURE. It is so ordered.

Senator BYRD. Thank you.

Mr. Tribble, I am sure you are well aware that the steel and aluminum industries have suffered tremendous losses during the present recession.

I am concerned particularly with respect to the steel industry that these losses and the severe unemployment which accompanies them is not just a temporary cyclical economic phenomenon.

In many respects, the failure of this country to make technological advances in these industries has led to relatively inefficient production methods, and a loss of jobs for Americans.

What specific projects is the Industrial Conservation Division involved in at the present time which could reduce the energy requirements and, therefore, the cost of producing steel and aluminum in this country?

Mr. TRIBBLE. Senator Byrd, I'm going to ask Mr. Streb to respond to that. He's the person in charge of that.

Senator BYRD. Very well.

Mr. STREB. Senator, we have a number of projects which are working with the steel industry specifically, but ought to have side-effects which benefit the other metals industries.

One of the most significant, currently, I believe, is a system of hot inspection of hot steel strand as it comes off the continuous casting, thereby eliminating to some extent the scrappage that is produced in that process.

But also potentially enabling the direct hot rolling of the strand. There is a very significant energy benefit associated with that.

Progress is good. We have conducted some pilot runs this year, and plan another series of runs, and I fully expect that this technology will be introduced to the industry sometime in the next couple of years.

Also in steel, we are just initiating a project which will enable more direct continuous measurement of composition in the metal alloy bath.

This is really equally applicable to steel and aluminum. It reduces the amount of time that the material must remain in a molten state, typically, to achieve the desired composition.

We have other work going on. There is a project in direct measurement of the temperature distribution in hot ingot to optimize the time that the ingot must remain prior to rolling.

In addition to that, new initiatives in strip casting, which is primarily oriented toward steel, will probably also be applicable to aluminum.

The objective is to cast directly at a thickness, typically of 15 mils, so a single cold pass, or perhaps hot pass, would be required to produce material to the size which constitutes a very large shipment by the steel industry.

We anticipate that success in that area could result in as much as one-tenth of a quad saving in the steel industry alone. There are, I hasten to add, a great number of problems involved in achieving this objective, but we are optimistic that it can be done, and we are in the process of initiating a contract for research efforts to address that problem.

Senator BYRD. You have mentioned thin-strip steel casting. But could you identify the companies you are working with?

Mr. STREB. This was a recent solicitation. The companies that we are negotiating with include General Electric, Westinghouse, and Battelle.

STATUS OF CATHODE PROJECT

Senator BYRD. What progress have you made on the wettable cathode project? And when might a prototype of this cathode be installed in a commercial plant?

Mr. STREB. The project that you're referring to has been in the works for quite a long time. We have successfully operated a fairly substantially sized pilot cell, a 20-kilo ampere cell, which is about one-fifth the size of a production cell.

This work was completed at Kaiser, last November or December, and Kaiser is currently wrapping up that work.

I would say we have succeeded in proving the compatibility of the material, and have shown that the potential for savings is there.

Problems were encountered, and the problem we still face is in reducing the cost of the titanium boride cathode material, which primarily relates to finding ways—geometric ways—of reducing the inventory.

And until that is done, I don't think that this is yet a practical technology.

The industry, however, is optimistic and enthusiastic to some extent. We do have a couple of small research efforts which have been mounted in other aluminum plants. We are looking beyond where Kaiser has been able to go as of today.

Senator BYRD. Do you anticipate that the private industries will pursue this process on their own, or do you think it will just hit the shelf?

Mr. STREB. I really believe that the tib–2 will be pursued at some level in private industry. In fact, I have knowledge of two companies undertaking a small effort.

Senator BYRD. If there were Federal funding to the tune of $2 million a year, what would that mean in terms of speeding up the process?

Mr. STREB. I would only be guessing, based on my knowledge of what the private-sector funding is.

I think that would have the effect of quadrupling the rate of progress.

Senator BYRD. What funds would be required to initiate some demonstration?

Mr. STREB. I would not want to venture a guess on that. I think probably what you're referring to would be the retrofit of one full cell, and it would represent probably something on the order of five times the size of the pilot we have at Kaiser.

The total investment that we made in the Kaiser project was $2.2 million, and part of that was pilot. I don't know. I would venture at least half of that.

Senator BYRD. You're talking in the neighborhood of five times that?

Mr. STREB. Perhaps, to undertake such an effort.

TARGETING WEATHERIZATION PROGRAM TO HIGH UNEMPLOYMENT AREAS

Senator BYRD. The House completed congressional action on the emergency jobs bill only a few hours ago. That legislation contains $100 million for low-income weatherization projects.

The chairman indicated he is going to submit an additional $50 million for grants to cover the energy efficiency of schools and hospitals.

Although funding for these programs is not specifically included under the targeting formulas that were introduced by Senator Hatfield, Mr. Edgar, or myself, the general language of the jobs bill requires that the head of each agency should give consideration toward allocating these and other untargeted program funds to areas of high unemployment.

The State of West Virginia has a high unemployment population—at this time, 20.4 percent. Many parts of the State have much higher unemployment rates than even this amount.

While the low-income weatherization program, because of its nature is somewhat self-targeting toward areas of poverty, I would like to know what specifically you would be able to do to influence the distribution of those funds to high unemployment areas where the weatherization program would help stimulate jobs.

Mr. TRIBBLE. I am going to ask Mr. Chiogioji to respond to that.

Mr. CHIOGIOJI. Senator, if the legislation does include targeting toward areas of high unemployment, we would ordinarily go back to our formula of grants, according to our present regulation.

According to my statistics in the case of West Virginia, the percentage would be in the vicinity of 1 percent.

Senator BYRD. I didn't hear the last.

Mr. CHIOGIOJI. One percent, if we use our regular formula grants. As presently legislated, West Virginia would get about 1.3 percent of the dollars.

Senator BYRD. Do you plan to fully utilize the authority you have to target such funds to the high unemployment areas?

Mr. CHIOGIOJI. Well, in the case of our regulations today, Senator, we are not able to target the high unemployment areas per se unless the legislation on which the jobs bill is presently written indicates that we need to target it, because both the schools and hospitals program and the weatherization program are formula grant types of programs.

And the specific States get certain amounts depending upon a number of things, including the poverty level, the amount of poverty, population, and degree days, and things like that.

So the answer to your question is that, if we use our present formulation, we cannot target it.

Senator BYRD. When we get a copy of the legislation, would you sit down with the General Counsel and see if that can be done?

Mr. CHIOGIOJI. Yes, sir.

Senator BYRD. See if this money can be targeted to these areas and respond in the record.

Mr. CHIOGIOJI. Yes, sir.

[The information follows:]

USE OF CERTAIN ENERGY CONSERVATION FUNDS TO STIMULATE EMPLOYMENT

Supplemental fiscal year 1983 appropriations for low-income weatherization and schools and hospitals weatherization assistance are provided in the Emergency Supplemental Appropriations Act, 1983 (Public Law 98-8) (the act or the jobs bill), in the amounts of $100 and $50 million, respectively. Section 101(c) of the act authorizes and directs the Department, as well as States or political subdivisions of States which receive allotment of these funds, to utilize these funds to the extent practicable to maximize immediate creation of certain employment opportunities. The Department intends to insure that all grantees and subgrantees of these funds shall meet the requirements of section 101(c) to the greatest extent practicable.

Title I of the act provides for these supplemental appropriations as follows:

LOW-INCOME ENERGY CONSERVATION

There is appropriated an additional amount for "Energy conservation", Department of Energy, $100,000,000, to remain available until expended for low-income weatherization: *Provided*, That funds for low-income weatherization activities appropriated under this Act shall be expended according to the regulations pertaining to the maximum allowable expenditures per dwelling unit which were in effect on October 1, 1982, and to the regulations pertaining to priority in providing weatherization assistance which were in effect on October 1, 1982.

SCHOOLS AND HOSPITALS WEATHERIZATION ASSISTANCE

In order to create productive jobs in manufacturing and installation of weatherization products, there is appropriated an additional amount for "Energy conservation", Department of Energy, $50,000,000 to remain available until expended: *Provided*, That this amount shall be available for schools and hospitals weatherization assistance as authorized by the National Energy Conservation Policy Act (Public Law 95-619) (42 U.S.C. 6371-6372).

These provisions, considered without reference to any other portion of the act, indicate that funds are appropriated for the specific low-income weatherization assistance and schools and hospitals grant programs administered by the Department of Energy, and are to be disbursed according to the statutes and regulations of these programs, 42 U.S.C. 6861–6873 and 6371–6371j; 10 CFR parts 440 and 455.

Sections 101 (a) and (b) of the jobs bill target supplemental appropriations to areas of highest unemployment for projects and activities listed in those sections. Neither the weatherization program nor schools and hospitals program is listed. The legislative history of the jobs bill illustrates the clear intent of Congress to omit both these programs from coverage of the targeting provisions. The conference committee recommended the inclusion of the weatherization and the schools and hospitals programs under section 101(a), 129 Congressional Record H1520–21 (daily edition March 22, 1983). Nevertheless, coverage of the two programs subsequently was defeated in floor action, 129 Congressional Record H1520–29 and S3640–42 (daily edition March 22, 1983) and 129 Congressional Record H1689–95 (daily edition March 24, 1983).

The weatherization and schools and hospitals programs are covered, however, by section 101(c) which provides: (c) The head of each Federal agency to which funds are appropriated or otherwise made available under this title, or States, or political subdivisions of States, which receive allotment of funds under this title shall to the extent practicable utilize such funds in a manner which maximizes immediate creation of new employment opportunities to individuals who were unemployed at least 15 of the 26 weeks immediately preceding the date of enactment of this act * * *.

The Department is developing guidance for grantees and subgrantees of funds appropriated by the jobs bill for these two programs. This guidance is intended to insure that grantees and subgrantees shall meet the requirements of section 101(c) to the maximum extent practicable.

It is problematic to go further under section 101(c), however, and change allocation formulas or the way specific weatherization projects or particular schools and hospitals are identified for funding. Both programs are formula grant programs and are well into the 1983 grant year. There are, for example, approved State plans applicable to fiscal year 1983 funds.

Both programs, moreover, are governed by regulations, as required by statute, 42 U.S.C. 6863(b) and 42 U.S.C. 6371a. Under applicable regulations, available funds must be distributed to the States on the basis of formulas which have never taken unemployment directly into account, 10 CFR 440.10 and 10 CFR 455.101.

In the schools and hospitals program, once an amount of funds has been set aside, the funds are distributed by DOE directly to institutions in the State under a ranking procedure based on an institution's probability of producing the greatest energy savings, 10 CFR 455.71. The applicable regulations do not provide for unemployment as a criterion, 10 CFR 455.71. The statute, moreover, does not appear to provide for any element of the ranking to favor areas of high unemployment either. The statute limits allocations within a State exclusively to schools and hospitals based on their relative need for weatherization assistance, in the form only of energy conservation materials and equipment and related technical assistance, 42 U.S.C. 6371(15), 6371c(a)(4), and 6371d(a).

Under the weatherization assistance program, once funds are distributed to a State the funds, with exceptions not relevant here, are required to be distributed internally through local agencies, which are selected by the State after a hearing, and allocated to areas within the State on the basis of the relative need for a weatherization project by low-income persons, 42 U.S.C. 6864–6865, 10 CFR 440.10. Moreover, the clause in the weatherization provision of the act, quoted above, relating to expending the weatherization supplemental according to the priority in the regulations of the DOE weatherization program in effect on October 1, 1982, was adopted verbatim from the Interior and Related Agencies Appropriation Act, fiscal year 1983, Public Law 97–394. In both instances the clause has the effect of maintaining the priority of the elderly and the handicapped in allocating weatherization funds among eligible low-income recipients, contained in the current regulations. It would preclude any alteration which an added unemployment criterion would make in this priority.

The process outlined above for both programs is compatible with the expedited delivery of title I funds for low-income weatherization and schools and hospitals assistance. The intent of Congress manifest in section 101(c) is that all title I funds: * * * be obligated and disbursed as rapidly as possible so as to quickly assist the unemployed and the needy as well as minimize future year budgetary outlays.

WEATHERIZATION ASSISTANCE PROGRAM

Senator BYRD. Will you provide for the record a listing of all community action agencies or other organizations which administer the weatherization program in West Virginia and indicate for each one how many units they have weatherized to date, and how many units are presently on the waiting list?

Mr. CHIOGIOJI. We'll be happy to do that, Senator.

Senator BYRD. And would you also for each organization, please indicate the total funding received to date and the average cost per dwelling weatherized?

Mr. CHIOGIOJI. Yes, sir.

[The information follows:]

WEATHERIZATION ASSISTANCE PROGRAM

Following is a list of the local action agencies responsible for weatherization in West Virginia and a table illustrating expenditures, production, and average cost per home for the State from inception of the program to date. Expenditures and producton by local action agency will be provided once the information is obtained from the State.

WEST VIRGINIA

	Inception through 1978	1979	1980	1981	1982
Expenditures	$418,000	$1,133,540	$3,516,524	$3,376,154	$2,115,280
Production (homes)	1,741	3,067	4,781	3,568	2,001
Average cost per home	$240	$369	$735	$946	$1,057

COMMUNITY ACTION AGENCIES AND LIMITED PURPOSE AGENCIES

West Central West Virginia Community Action Association, William Summers, acting director, Box 227, 3206 Dudley Ave., Parkersburg, W. Va. 26101 (serves counties of Calhoun, Doddridge, Gilmer, Jackson, Pleasants, Ritchie, Roane, Tyler, Wirt, and Wood).

Council of the Southern Mountains, Harold Cooper, executive director, 125 McDowell St., Welch, W. Va. 24801 (serves McDowell County).

Mercer County Economic Opportunity Corp., D. W. Froe, executive director, 1105 Mercer St., Princeton, W. Va. 24740.

Mountain CAP of West Virginia, Inc., Mary Lou Cutright, executive director, Box 436, Buckhannon, W. Va. 26201 (serves counties of Upshur and Braxton).

Mingo County Economic Opportunity Commission, Larry Hamrick, executive director, Box 1406, Williamson, W. Va. 25561.

Pride-In-Logan County, Inc., Ervin S. Queen, executive director, Box 1346, Logan, W. Va. 25601.

Eastern West Virginia Community Action Association, Kenneth Pack, executive director, 401 Maple Ave., Moorefield, W. Va. 26836, (serves counties of Grant, Pendleton, Hampshire, Hardy, and Mineral).

Central West Virginia Community Action Association, Kevin Meehan, executive director, Box 266, Clarksburg, W. Va. 26301, (serves counties of Harrison, Lewis, and Watrel).

Multi-County Community Action Against Poverty, Inc., executive director—vacant, Box 3228, Charleston, W. Va. 25332, (serves counties of Boone, Clay, Kenawha, and Putnam).

Nicholas County Community Action Association, William Pugh, executive director, 909 Broad St., Summersville, W. Va. 26651.

Southwestern Community Action Council, Joan Ross, executive director, 540 Fifth Ave., Huntington, W. Va. 25701, (serves counties of Cabell, Lincoln, Mason, and Wayne).

Raleigh County Community Action Association, Norma Jesse, executive director, P.O. Box 3066, East Beckley Station, Beckley, W. Va. 25801.

Wyoming County Opportunity Council, Earl D. Smith, executive director, Box 567, Oceana, W. Va. 24870.

North Central West Virginia Community Action Association, Kenneth Dean, executive director, 1101 Fairmont Ave., Fairmont, W. Va. 26554 (serves counties of Barbour, Marion, Monongalia, Preston, Randolph, Taylor, and Tucker).

Monroe County Community Services Council, Jill Fischer, executive director, Box 403, Union, W. Va. 24983.

Region VIII Planning and Development Council, William G. Deadrick, AAA director, P.O. Box 305 (serves counties of Morgan, Berkeley, and Jefferson).

Brooke County Committee on Aging, Lorina Dempstar, executive director, 948 Main St., Follansbee, W. Va. 26037.

Greenbrier County Community Services Council, David White, executive director, 105 Church St., Lewisburg, W. Va. 24901.

Summers County Services Council, 5 Grace St., Hinton, W. Va. 25951.

Fayette County Committee on Aging, Gladys Gray, executive director, 108 Lewis St., Oak Hill, W. Va. 25901.

New Neighborhoods, Inc., Fred Durst, executive director, 1070 Market St., Wheeling, W. Va. 26003, (serves counties of Marshall and Ohio).

TARGETING SCHOOLS AND HOSPITALS PROGRAM OF HIGH UNEMPLOYMENT AREAS

Senator BYRD. What authority do you have to target grants under the schools and hospitals program to areas of high unemployment, to insure that funding and the jobs bill does indeed, stimulate employment in those regions of the country where jobs are needed?

Mr. CHIOGIOJI. Again, Senator Byrd, we have the same situation in the schools and in the hospitals program as we have in the weatherization.

If we use the present formula grants, these will go out according to the basic formula and in the case of West Virginia, again, the total is about 1 percent.

Senator BYRD. Would you then check the legislation and discuss it with General Counsel, and see what under the legislation can be done to target those areas of high unemployment?

Mr. CHIOGIOJI. Yes, sir.

Senator BYRD. Mr. Chairman, other than the questions which I have submitted for the record, I have nothing further.

Senator MCCLURE. Thank you very much.

Mr. CHIOGIOJI. Could I make one correction? In the case of weatherization, it's 1.38 percent for weatherization.

Senator BYRD. Thank you.

Senator MCCLURE. The reason for the weatherization program in a number of areas will be to assist people who have low income.

In many areas, many of those who have low income at the current time are those who are unemployed. Will their low income by reason of unemployment qualify them for assistance under this program?

Mr. CHIOGIOJI. It depends on the degree to which, or the length of time, they have been unemployed. Basically, we do work with community action agencies, and typically, what we have been using is the social security data in targeting the income level.

As you well know, Mr. Chairman, the threshold under which we fund these individuals or these programs is 125 percent of the poverty level, and by and large, most of the States have been using social security data in order to define the 125 percent.

Senator MCCLURE. And if they fit that criteria of 125 percent of the poverty level or below?

Mr. CHIOGIOJI. Yes.

Senator MCCLURE. Even though their income is at that level because of unemployment, they would still qualify?

Mr. CHIOGIOJI. Yes, Senator.

Senator MCCLURE. Have you considered the possibility of making materials available to the able-bodied low-income person, so that they might be able to do it themselves, rather than hiring to have it done?

Mr. CHIOGIOJI. We have thought about that in the past. As a matter of fact, when the program was in the Community Services Administration, prior to being transferred to the Department of Energy, some of that was being done.

There are a number of dangers to doing that. As you well can understand. In fact, in some cases, under the Community Services Administration, the money was not going into weatherization. The materials were not going into the weatherization program, but were being sold. And so homes were not being weatherized at all.

So, yes, I think that we have run a couple of demonstrations in about 35 different communities in which we did authorize the utilization of our weatherization materials, in which we had community self-help types of programs, which I think you would be very much interested in.

However, by and large, we intend to try to install the weatherization materials, rather than provide it for the homeowners, per se.

If we go to other groups, like church groups, or something like that, or community action agencies, to install the weatherization with no labor costs, now that will be acceptable to us. But not just to give the hardware to the tenant.

Senator MCCLURE. The reason I asked that question, the last time we were in recess in Congress, I spent some time in Idaho.

And I went to a number of low-income weatherization projects. Some of the people whose homes were weatherized were people who were long-time unemployed.

They were hoping to go back to work, but it appeared to me at the time that if they're able-bodied, and capable people whose only reason for low income is the fact they can't get a job, they might welcome the opportunity to weatherize their own home.

They simply can't afford to pay for the materials.

Mr. CHIOGIOJI. Absolutely.

Senator MCCLURE. But they are perfectly capable people simply waiting for a job opportunity and it might be able to spread the money around to a greater number of homes, thus helping more people and affecting the energy consumption more dramatically in our country.

Mr. CHIOGIOJI. I think it would be a point well taken, as indeed we are working with the community action agencies, working with 35 different communities to try to implement exactly what you are talking about.

We would tend to shy away from just providing the materials to any homeowner, again, because of the possibility of fraud.

Senator MCCLURE. Well, I would hope we could find some way to get around that pitfall, and I recognize that's a difficulty.

We haven't stopped building low-income housing, however, even though some have ripped the wiring and the fixtures out and sold them. So the problem doesn't always cause us to abandon the effort.

Would you provide me with some background information with respect to your experience, to indicate what the problems have been and the potential for solving those problems, rather than simply avoiding them?

Mr. CHIOGIOJI. Yes, sir.

[The information follows:]

EXPERIENCE WITH THE DEMONSTRATION PROGRAM

The community energy project (CEP) which is operated by ACTION under an interagency agreement with the Department of Energy, is a community self-help concept designed to mobilize the citizenry of individual localities to undertake relatively simple energy conservation measures.

To date, 75 grants have been made involving over 125 communities. The concept has been adopted as an effective marketing device by companies producing conservation materials.

Some of the problems encountered have been program specific and have been solved by adjustments in administration or operational approach. An example is the matter of timing, that is, that CEP efforts are not effective during warm weather months. This has been addressed by focusing efforts on those time-periods when the attention of citizens can easily be directed to the high cost of heating.

Evaluating this effort, however, has proved troublesome. Depsite approaches that measure energy savings, dollar savings and numbers of volunteer hours generated, it remains difficult to measure such aspects as increased awareness of energy conservation concepts or the determination of individuals that additional conservation measures will be undertaken.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. There will be some additional questions which we will submit to you to be answered for the record.

Mr. CHIOGIOJI. We will be glad to respond to them.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Energy Conservation

Question: Am I correct that the budget request we have before us today was essentially assembled after the final OMB pass back had significantly increased your original request for FY 1984? If not, what was in fact the course of events that led to this request for $74,377,000? What was your initial request of the Department and the Department's initial request of OMB? How much of these amounts was for research and how much for grants programs? Would you characterize all of the research in these two initial requests as "high-risk, long-term, and generic"?

Answer: The original OMB guidance for the conservation area in total was $36 million. Our internal budget request was $51 million. The Department's request to OMB was $51 million. Secretary Hodel, immediately after he took office, appealed to OMB to increase the total conservation funding level to the $74 million included in the current request. OMB agreed to this revised level. All of the funding levels mentioned above included zero funding for grants programs, other than $3.3 million for personnel costs associated with closing out the programs. Most, although not all, of the funds included in the two initial requests could be characterized as high-risk, long-term and generic. Exceptions would include funding proposed for technology transfer activities, continuation of the appliance labeling program, implementation of the Federal Energy Management Program, and preparation of mandated reports to Congress.

Building and Community Systems

Question: Turning now to specific programmatic questions, you have proposed a budget of $16,385,000 for Building and Community Systems, a reduction of $22,715,000 from the 1983 level. Included in this is a 50 percent reduction in Building Systems and Technology and Consumer Products, and no funding for Residential Conservation Service, urban waste, and community systems. Why have you proposed no funds for these three activities? In general, do these three research activities show less potential for energy savings than other activities under BCS?

Answer: The Residential Conservation Service and related programs are regulatory in nature. Although some of the funds previously appropriated in this area have been used for research activities in support of the RCS program, the major purpose of these funds has been to implement the regulatory requirements of existing law. Funds already available will permit the conduct of the required regulatory activities during FY 1984.

The Department is not requesting funds for the Urban Waste Program in FY 1984 because the Federal R&D effort in urban waste technology has proceeded to the point where industry is involved in its commercial application. For the most part, the current issues associated with implementation on a commercial basis involve economic and individual siting and not technology development. There do remain, however, some long-term technical concepts that are related to the development of biomass energy. Consequently, funds to continue limited research in this area have been requested as part of the Energy and Water Appropriation.

The technologies associated with community systems, such as cogeneration and district heating and cooling, are well known to the engineering profession and a Federal R&D role is not justified. The private sector can and will pursue these technologies whenever they become economical. The potential for additional energy savings resulting from continued Federal support of these activities is quite small.

Question: You indicate on page 18 of the justification that the Urban Waste program has been integrated into the biomass program. Specifically in what way have these programs been integrated, and what is the proposed funding level for FY 1984?

Answer: For internal management purposes, research components relating to the historical municipal waste program will be investigaed within an integrated biomass R&D program in FY 1984. It is felt that this merger will enhance management and eliminate duplication of R&D programs which are technically similar.

Of the biomass proposal for FY 1984, $800,000 has been identified as having specific application to urban waste technologies. This includes work on combustion emissions ($200,000), feedstock preparation ($100,000) and basic research on organisms ($500,000).

Appliance Standards

Question: For appliance standards, you have proposed an increase of $700,000 over the 1983 level of $1,000,000. For what specific purposes will you use the additional $700,000?

Answer: The Department's 1984 request of $1,700,000 for the appliance standards program is for work in the following areas: maintenance of test procedures, test procedure waivers, and coordination with the Federal Trade Commission (FTC) on the appliance labeling program. Of this amount, $1,000,000 would be used for test procedure maintenance. The purpose of the test procedure maintenance activities is to perform laboratory research to identify test methods which would either increase the accuracy or reduce the costs of existing test procedures. DOE's test procedure efforts in this area in 1984 will be increased in two principal areas. First, laboratory research will be performed on central air conditioners and heat pumps to identify test methods which yield the same results at reduced cost. The current central air conditioner (including heat pumps) test procedures are the most burdensome to conduct. Second, DOE will examine available data to determine the validity of the test procedure's prediction of annual operating costs. This latter effort is being planned because data received by DOE, as a result of comments received on the appliance energy efficiency standards rulemakings, indicates that existing test procedures may be overestimating energy consumption for central air conditioners and for newer, more efficient designs of refrigerator-freezers. The results of this effort will then be applied to increasing the accuracy of information provided to consumers on the FTC EnergyGuide label.

DOE's activities in the test procedure waiver area are expected to increase to $600,000 in FY 1984 because of the introduction of new models of appliances which cannot be tested in accordance with existing test procedures. It is expected that the waivers requested will be for new designs of central air conditioners and furnaces whose designs are radically different from existing products.

Finally, DOE proposes spending $100,000 in support of FTC's review of the appliance labeling program to determine if changes to the DOE test procedures are necessary to aid in the dissemination of efficiency and cost of operation data on the EnergyGuide label. In January 1983, FTC held a public meeting, including representatives from industry, utilities, consumer groups and other organizations, to receive comments on improvements to the labeling program. A number of commenters suggested changes to the EnergyGuide label which would require amending the DOE test procedures. DOE will perform the research necessary to amend the test procedures in accordance with the needs of the appliance labeling program as identified by FTC.

Question: Although energy efficiency standards for appliances are likely to preempt standards in some states, procedures exist whereby states can petition DOE for exemption from preemption. How many such petitions do you anticipate receiving and processing during fiscal years 1983 and 1984?

Answer: DOE expects to receive five petitions in fisal year 1983 (California, Oregon, Wisconsin, and Minnesota regarding clothes dryers, and kitchen ranges and ovens and New York regarding kitchen ranges and ovens) as a result

of the final rule regarding clothes dryers and kitchen ranges and ovens DOE published in the Federal Register on December 22, 1982. Each of these states has filed notice with DOE of their intent to petition for exemption from preemption. We cannot estimate the number of petitions which might be received by 1984.

Question: How much money do you propose to spend to process these petitions in FY 1984?

Answer: Work will be conducted by DOE staff; no contract funds are expected to be needed.

Appliance Labeling

Question: With regard to the FTC's appliance labeling program, you report that in order to keep test procedures current, you may temporarily waive requirements that produce unreliable or unrepresentative results for particular appliances. Does DOE independently make the decisions as to whether results are unreliable or unrepresentative? How are such decisions made?

Answer: Each manufacturer petition for test procedure waiver is published in the Federal Register for comment. DOE makes its decision regarding each test procedure waiver petition on the basis of the evidence included in the record after consulting with the National Bureau of Standards (NBS) and the Federal Trade Commission (FTC).

Question: Do companies normally appeal to DOE before DOE waives certain test requirements?

Answer: Manufacturers are required to petition the Department and provide information as to why either the existing test procedure gives unrepresentative results or the unit cannot be tested in accordance with the existing test procedure. Also, the manufacturer is encouraged to provide in the petition for test procedure waiver an alternate test procedure, which the manufacturer believes is appropriate for that model. In granting a test procedure waiver, DOE typically specifies, in the Decision and Order, the test procedure which the manufacturer is to use in making representations on energy use or energy efficiency.

Question: How often in the past 3 years has DOE granted such waivers?

Answer: DOE has received 12 test procedure waiver petitions (9 furnace, 2 dishwasher, and 1 water heater) of which 8 have been granted. The 4 remaining petitions are currently being reviewed by DOE.

Technology and Consumer Products

Question: For the record, please provide a detailed description of the research you propose to conduct during fiscal year 1984 on wood and coal combustion heating systems. Indicate dollar amounts associated with each research activity and indicate what you expect the end results of such research will be.

Answer: DOE is planning to continue its research in wood combustion mechanisms and processes. This research will provide the fundamental combustion theory and data for use in designing higher efficiency, lower emission wood heating systems, such as stoves, central furnaces, and boilers. Specific activities in FY 1984 include completing the characterization of organic products and properties of combusted coal and wood and initiating the development of a wood combustion model ($160,000). In addition, a basic measurement technology of combustion products and processes of wood and coal fuel will be developed ($140,000).

FEMP Workshops

Question: Are the FEMP workshops really the best way to promote energy conservation by the Federal government?

Answer: The FEMP workshops are designed to enhance professional competence and confidence in two quite specific areas: life cycle cost methodologies, and building and retrofit design for energy efficiency. In both cases, appropriate engineer, architect, energy analyst, and management personnel are involved in several hours of expository material and approximately two days of problem solving under instructor guidance. Alternative design systems are formulated and evaluated, life cycle costs are computed and the designs are compared in terms of energy cost savings. The emphasis in one case is on design; in the other, it is on life cycle costs.

The promotion of energy conservation in the Federal Government is largely accomplished through monthly meetings with agency energy coordinators at which the group is brought up-to-date on program status, and a speaker from an agency or a private firm briefs the group on the results and techniques involved in a specific building or facility energy conservation retrofit action. The "656" Committee, composed of higher level energy management officials, meets less frequently, but for the purpose of developing consensus on policy and the more pervasive or generic procedural choices affecting all agencies. The "656" Committee members also report status of selective actions or problems.

Basically, the effective promotion of energy conservation must be integral to mission accomplishment within the line authority channels of each agency. The FEMP office of DOE provides a facilitating and coordination mechanism for technology transfer and for arriving at a consensus on problem definition and solutions.

Industrial Heat Pump Research

Question: You report on page 35 of the justification that, with regard to high temperature industrial heat pumps, you will use previously obtained research information in the development of an optimum cycle configuration. You will begin a complete design of such a system, followed by the fabrication and testing of an engineering prototype system. What is the time frame proposed for this work?

Answer: The time frame for the work is estimated to be about three to five years for chemical systems and high temperature gas cycle systems. During FY 1983, a comprehensive assessment effort was initiated to review all existing concepts for chemical heat pump systems in terms of their thermodynamic evaluation, working fluids and limitations and component development requirements. This study is scheduled for completion by August 1983. In addition, evaluative work is being conducted on a chemical heat pump system at the Oak Ridge National Laboratory. Based on this work and the results of the study, a plan for implementing research activities to advance the state of the art in various chemical cycle systems will be formulated.

In the case of the high temperature gas cycle systems, a feasibility and concept study is underway and due for completion by September 1983. A competitive solicitation will be made at the conclusion of this study for a heat pump design and fabrication of a prototype engineering unit for performance testing. Its expected that this effort will take about three to four years.

Question: What results in terms of energy savings do you feel this research effort will have?

Answer: Based on an Oak Ridge National Laboratory study performed in 1976, about 5.6 quads of low temperature waste heat is available as

potential for heat pump technology. Based upon reasonable market penetration of the heat pump technologies being developed (including mechanical systems), annual savings by the year 2000 could be in the range of 0.6 quads.

Freeze Crystallization and Membrane Separation Research

Question: For industrial process efficiency, you have requested $2,400,000 for, among other things, continued research on separations of materials. This activity will focus specifically on freeze crystallization and membrane technologies. Am I correct that this work is cost-shared with industry? If so, who are the industrial partners and how much are they contributing?

Answer: Nine membrane separation projects are currently funded. In all cases, industry has endorsed government involvement and the merits of the projects. Four of the projects are cost-shared:

Contractor	Private Contribution		Total
UOP, Inc.	20%	$75,000	$375,000
State Univ. of N.Y. at Syracuse	13%	19,000	154,000
National Food Processors Assn.	13%	59,000	426,000
Coury, Inc. (Travel)	4%	3,000	87,000

The remaining projects, except for one, are being pursued by small business firms. The contractors are Filmtec, Inc., Bend, Inc., Membrane Technology Research, Inc. and Ionics, Inc. It is anticipated that future membrane research activities will include greater amounts of industrial cost-sharing. The extent of cost-sharing is considered during the evaluation of a proposed project.

Research on freeze concentration technology has been conducted by Concentration Specialists, Inc. (CSI), which is a small business. To date, the private sector has not cost-shared this work; however, Weyerhaeuser Company has recently provided consulting support to CSI at no cost.

Question: In the development of this research effort, has DOE had any contact with the Department of the Interior regarding the research DOI has in the past conducted on freeze crystallization and membrane technology through what was formerly known as the Office of Water Research and Technology?

Answer: Contact was maintained with DOI throughout the development of the research effort on membrane technology.

Question: Are your industrial partners aware of the extensive research that has been done by DOI?

Answer: All of the contractors for the ongoing projects are aware of the research done by DOI in membrane separation technology.

Hybrid Test Vehicle Development Status

Question: Can you highlight for the Committee the progress made in development of the hybrid test vehicle?

Answer: Following the completion of an in-house hybrid vehicle potential assessment study and preliminary design studies by four subcontractors, JPL selected General Electric to design, develop and fabricate a hybrid test vehicle (HTV-1). The GE design concept involves a parallel powertrain configuration in which an electric motor and a gasoline engine are used separately or in combination depending on the power demand and the state-of-

charge of the batteries. The batteries used in this vehicle were developed specifically for this high power rate application and are based on the Improved State of the Art Lead-Acid Technology developed for DOE/Argonne National Laboratory by Globe Battery Division (Johnson Controls). The gasoline engine is a standard production 1.7 liter Volkswagen engine which has been specially modified by Volkswagen to incorporate their newly developed "on-off" technology. This engine never idles; when no power is demanded, it is turned off, to conserve fuel, and when needed, the engine can be started and can deliver power in less than 0.3 seconds.

Convergence of Automotive Gas Turbine Contracts

Question: Has DOE already decided internally which of the two AGT contractors will continue, assuming they will not converge?

Answer: The decision on which contractor will continue will not be made until after a comprehensive evaluation has been made of both contractor's performance. The evaluation will be made on pre-established criteria which includes effectiveness of technical approval, effectiveness of program management, remaining technical risk, and estimated costs to complete. In order to allow the latest hardware and component/materials development status to be included in the evaluation, the convergence decision is not scheduled until the last quarter of the fiscal year.

Question: As the ongoing AGT research will provide two engine designs and two different ceramics, won't we in fact have more flexibility in terms of improving both technologies for future applications if we retain the two contractors?

Answer: Although the two AGT contractors are pursuing different engine designs, the key technology barrier to the successful commercial introduction of any automotive gas turbine engine is the application of ceramic components. In reality, the engines become test beds for the evaluation of developed ceramic components. The types of ceramic materials and processing techniques used by the two contractors for component development are different in many cases, but there is also a significant amount of overlap. In order to preserve a continuing focus on ceramics development, it is planned to continue some ceramics funding in this area for the second company and the FY-1984 budget request includes funding for this purpose.

The powertrain integration makes extensive use of microprocessor technology to maximize petroleum savings and to simplify vehicle operation for the driver. The microprocessor controls all drive-train functions automatically, including gear selection from the specifically developed transmission, battery recharge by the engine, and regenerative braking. The vehicle integration is based on a 1980 Buick Century specially modified so that the entire propulsion system is under the hood, leaving room for five passengers and their luggage. This vehicle has successfully demonstrated the critical concepts of power-blending, driveability, vehicle/powertrain integration, and performance comparable to an ICE vehicle, and has been shipped to JPL for test and evaluation.

Question: What tests and evaluations are expected to be made by JPL and in what timeframe will they take place?

Answer: HTV-1 will undergo a thorough series of tests at JPL to determine its operational performance, fuel and electrical energy economies, and exhaust emission characteristics under a variety of operating modes. Sufficient data will be obtained and analyses performed to characterize the operation of the various

components and subsystems in this vehicle. This testing will be performed primarily on the dynamometer using EPA driving cycles as well as statistical driving patterns developed by JPL. The time frame for this test program is from April 1983 into the first quarter of fiscal year 1984.

Question: What will be the next step after JPL's analysis is complete?

Answer: Following completion of the performance test program, HTV-1 will be utilized as a test bed to evaluate promising new technologies for the hybrid vehicle application. This could include components, subsystems or complete propulsion systems. As an example, it is planned to test HTV-1 with a high power density nickel-zinc battery system. Data derived from such tests will be used to validate and update computer simulation programs which are used in hybrid and advanced vehicle design studies.

High Temperature Materials Laboratory

Question: Is there no other public or private facility in the U.S. capable of doing the type of research you propose to do in the High Temperature Materials Laboratory?

Answer: The High Temperature Materials Laboratory (HTML) will house a unique collection of specialized equipment and expertise focused on the area of high temperature materials synthesis, preparation, characterization and processing, all activities which are essential to successful high temperature materials research. The HTML will provide a center for long range, high-risk exploratory research and studies on the properties of materials at a temperature regime (1500 - 3000°C) that is relatively unexplored, and which is a key technology area for advanced energy conversion systems. A similar facility or capability does not exist in the United States.

State and Local Assistance Programs

Question: For fiscal year 1984, you have proposed just $3,300,000 for the State and Local Assistance Programs. This amount will allow for continued personnel expenses associated with administering grants made in previous fiscal years. As you know, the Congress has included $100 million for Weatherization and $50 millon for the Schools and Hospitals program in the so-called "Jobs Bill." Will those additional funds impact FY 1984 to the extent that more administrative funds will be needed? If so, how much additional funds and how many additional personnel will be necessary?

Answer: Extrapolating from current workload data, we would estimate that the "Jobs Bill" funding would require roughly 36 additional personnel for FY 1984 over the employment floors. Program Direction funding requirements would therefore increase by approximately $1.655 million. We are currently refining our staffing estimates and should have more accurate data shortly.

Weatherization Assistance Program

Question: You indicate that the main reason you are not providing funds for weatherization is because this is a social program not an energy program. In this regard, you report that the President is requesting funds for the Low-Income Home Energy Assistance Program (LIHEAP), and that the States are authorized to use up to 15 percent of

this fund for weatherization activities. How much is the President requesting for this program and what is the history with regard to the States using funds for weatherization?

Answer: The FY 1984 HHS request for LIHEAP is $1.3 billion, which allows up to 15 percent to be used for weatherization. The FY 1982 HHS LIHEAP budget was $1.875 billion and approximately $150 million will be used for weatherization.

Question: Does the President's request in this regard include additional funds that would have normally been requested under DOE's weatherization program?

Answer: The FY 1984 HHS budget request does not include funds that normally would have been requested for DOE's weatherization program.

Question: How many fewer homes do you expect will be weatherized as a result of this proposed change?

Answer: FY 1982 and FY 1983 funding of the DOE weatherization program produced an average of 150,000 homes weatherized a year. A $0 funding request for FY 1984 would reduce the number of homes weatherized by that amount.

Schools and Hospitals Program

Question: Why have you proposed no funds for the schools and hospitals program? Because tax incentives are not available to States and local communities, what ability really exists for these entities to spend the money necessary to audit and weatherize schools and hospitals? Doesn't the schools and hospitals program have the potential to save more energy than any other of the grant programs including home weatherization? For the record, please provide a comparison of the various conservation programs which indicates the potential savings of each when the dollar investment is equal.

Answer: It is correct that the Schools and Hospitals Program has the potential of saving considerable amounts of energy. It is also true that schools and hospitals are faced with a variety of constraints which limit their ability to generate the capital necessary to undertake energy conservation projects. However, it is clear that providing assistance to all eligible institutions would be cost prohibitive Means other than federal assistance alone must be found if the energy problems of this sector are to be alleviated. Toward this end, the DOE is undertaking to identify, evaluate and test various approaches to increasing private sector involvement in energy conservation in the public/non-profit sector.

The State and Local Assistance conservation programs savings are provided as follows:

Weatherization Assistance Program:

The equivalent of over 3.2 million barrels of oil will be conserved each year in the 950,000 homes weatherized so far through the DOE program.

Institutional Conservation Programs:

The estimated energy savings from projects undertaken to date is 33.6 million barrels of oil equivalent annually. Conservatively assuming a 10 year useful life of the projects this equals a federal cost of $2.24 per barrel of oil saved. The total cost (DOE plus grantee share) to save a barrel of oil equivalent is $4.50 based on a 10 year useful life estimate.

State Energy Conservation Programs:

The most recent SECP evaluation study shows $70 of energy savings results from each federal dollar invested. The energy savings attributed to the program rather than other factors (e.g., price or gov't regs) is 10.5 million barrels of oil equivalent per year. The energy savings resulting from State adoption of certain standards without consideration of other factors (e.g., States may have adopted standard without SECP programs) is 33.3 million barrels of oil equivalent per year.

Energy Extension Service:

The most recent results of evaluations of small business, residential and public sectors indicated a return an investment of $544 for each federal dollar spent. This return on investment analysis included the expenditures by recipients in undertaking conservation measures.

Appropriate Technology:

An energy analysis of the pilot program and 1979 projects indicated that 40 percent of a sample of projects met the critical 5-year industry pay back test, and 60 percent had a positive lifetime energy savings. In addition, the value of direct energy savings from this sample was equal to twice the total federal dollars allocated to all pilot grants.

Energy-Related Inventions Program:

An analysis of all of the most significant inventions now on the market, indicated that in calendar year 1982, the equivalent of 357,000 barrels of oil were saved. These 11 inventions represent approximately 90-95 percent of the total energy savings for all 37 inventions that are presently in the market place.

Multi-Sector

Question: For the record, please provide the total energy savings for each of the last 3 years that can be attributed directly to the Energy Inventions program?

Answer: Energy and other statistics are just starting to accumulate for the Energy Inventions program, since it normally takes 6-8 years for the average company to enter the marketplace, and the program has existed only about that long. We have estimated that 11 of the more significant inventions now on the market saved, in calendar year 1982, the equivalent of 357,000 barrels of oil. These inventions represent approximately 90-95 percent of the total energy savings for all 37 inventions that are presently in the market place.

Energy Conservation Program Direction

Question: The budget justification includes estimates of personnel levels for each program that are made under the assumption that the legislative employment restrictions are removed. Should they not be removed, please provide for the record a detailed analysis of the funds necessary for each program to maintain the legal personnel floor of 352 imposed on Energy Conservation.

Answer: Current FY 1983 program direction funds are not sufficient to meet estimated funding levels to maintain the legal personnel floor of 352. Additionally, the FY 1984 Congressional request for program direction funds will not maintain the personnel floor. The following chart reflects current funding availability versus estimated requirements for FY 1983, and requested funds versus requirements for FY 1984.

Energy Conservation Program Direction
(dollars in thousands)

Program	FY 1983 Current Availability[1]	FY 1983 Estimated Requirements	FY 1984 Congressional Request	FY 1984 Estimated Requirements
Building & Community Systems	$ 2,695	$ 3,300	$ 1,635	$ 3,728
Industrial	1,606	1,856	733	2,112
Transportation	1,663	1,934	357	2,286
State and Local Assistance Programs	7,986[2]	8,561	3,300	9,930
Multi-Sector (Energy Conversion/Utilization)	351	351	102	369
Policy and Management[3]	-	1,166	-	1,224
	$ 14,301	$ 17,168	$ 6,127	$ 19,649

1/ Includes FY 1982 Unobligated Carryover.

2/ Includes an additional $550K provided under the Jobs Bill (P.L. 98-8).

3/ FY 1983 reprogramming/restructuring now in process will request separate identification of support staff included in Interior personnel accounts for Conservation.

Note: We are currently reviewing program requirements to fill approximately 30 vacancies. Some realignment among budget lines may be needed once specific program breaks for vacancies are identified. The above requirements estimates assume an even allocation of vacancies.

Object Class Data

Question: Finally, also for the record and for inclusion in next year's justification, please include object class, finance and personnel information for each of Energy Conservation's activities. Your budget office has examples of the information I am interested in and will assist you.

Answer: The object class, finance and personnel information for each of Energy Conservation's activities are provided in the following tables:

DEPARTMENT OF ENERGY
Conservation and Renewable Energy
Object Classification (in thousands of dollars)

Budget Line Item: Buildings and Community Systems

89-0215-0-1-272		1982 Actual	1983 Estimate	1984 Estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Permanent positions	$ 2,327	$ 2,019	$ 1,368
11.3	Position other than permanent	220	181	71
11.5	Other personnel compensation	-	-	-
11.9	Total personnel compensation	2,547	2,200	1,439
12.1	Personnel benefits: Civilian	321	200	131
13.0	Benefits for former personnel	-	-	-
21.0	Travel and transportation of persons	108	100	65
25.0	Other services	45,707	41,463	14,750
31.0	Equipment	-	-	-
	Total direct obligations	$48,683	$43,963	$16,385

Note: This object class distribution reflects the allocation of resources presented in the FY 84 Congressional justification. Some estimates may differ from those shown in the budget appendix due to technical adjustments made subsequent to submission of the appendix.

Budget Line Item: Industrial

89-0215-0-1-272		1982 Actual	1983 Estimate	1984 Estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Permanent positions	$ 1,844	$ 1,240	$ 597
11.3	Position other than permanent	82	80	48
11.5	Other personnel compensation	-	-	-
11.9	Total personnel compensation	1,926	1,320	645
12.1	Personnel benefits: Civilian	173	120	59
13.0	Benefits for former personnel	-	-	-
21.0	Travel and transportation of persons	61	60	29
25.0	Other services	23,844	35,078	9,900
31.0	Equipment	-	-	-
	Total direct obligations	$26,004	$36,578	$10,633

Budget Line Item: Transportation

89-0215-0-1-272		1982 Actual	1983 Estimate	1984 Estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Permanent positions	$ 1,143	$ 1,239	$ 245
11.3	Position other than permanent	83	81	69
11.5	Other personnel compensation	-	-	-
11.9	Total personnel compensation	1,226	1,320	314
12.1	Personnel benefits: Civilian	114	120	29
13.0	Benefits for former personnel	-	-	-
21.0	Travel and transportation of persons	100	60	14
25.0	Other services	60,709	55,902	40,600
31.0	Equipment	-	-	-
	Total direct obligations	$62,149	$57,402	$40,957

Note: This object class distribution reflects the allocation of resources presented in the FY 84 Congressional justification. Some estimates may differ from those shown in the budget appendix due to technical adjustments made subsequent to submission of the appendix.

Budget Line Item: State and Local Assistance

89-0215-0-1-272		1982 Actual	1983 Estimate	1984 Estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Permanent positions	$ 5,141	$ 5,558	$2,821
11.3	Position other than permanent	346	303	83
11.5	Other personnel compensation	-	-	-
11.9	Total personnel compensation	5,487	5,861	2,904
12.1	Personnel benefits: Civilian	518	533	264
13.0	Benefits for former personnel	-	-	-
21.0	Travel and transportation of persons	305	266	132
25.0	Other services	229,848	255,356	-
31.0	Equipment	-	-	-
	Total direct obligations	$236,158	$262,016	$3,300

Budget Line Item: Multi-Sector

89-0215-0-1-272		1982 Actual	1983 Estimate	1984 Estimate
Direct Obligations:				
	Personnel Compensation:			
11.1	Permanent positions	$ 158	$ 197	$ 87
11.3	Position other than permanent	4	6	3
11.5	Other personnel compensation	-	-	-
11.9	Total personnel compensation	162	203	90
12.1	Personnel benefits: Civilian	19	18	8
13.0	Benefits for former personnel	-	-	-
21.0	Travel and transportation of persons	1	9	4
25.0	Other services	15,298	14,379	3,000
31.0	Equipment	-	-	-
	Total direct obligations	$15,480	$14,609	$3,102

Note: This object class distribution reflects the allocation of resources presented in the FY 84 Congressional justification. Some estimates may differ from those shown in the budget appendix due to technical adjustments made subsequent to submission of the appendix.

Conservation and Renewable Energy
Object Class by Budget Line Item
(dollars in thousands)

Appropriation: Energy Conservation

Budget Line Item: Buildings and Community Systems

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent . .	52	$ 2,019	33	$ 1,368	-19	- 651
11.3 Other than full-time permanent	3	181	1	71	- 2	- 110
11.5 Other personnel comp. .						
Total, pers. comp. . .	55	2,200	34	1,439	-21	- 761
12.1 Personnel benefits. . .		200		131		- 69
21.0 Travel & trans. of persons		100		65		- 35
25.0 Other services		41,463		14,750		-26,713
Total, direct obligations	55	$43,963	34	$16,385	-21	$ -27,578

Budget Line Item: State and Local Assistance

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent . .	143	$ 5,558	65	$2,821	-78	$- 2,737
11.3 Other than full-time permanent	2	303	0	83	- 2	- 220
11.5 Other personnel comp. .						
Total, pers. comp. . .	145	5,861	65	2,904	-80	- 2,957
12.1 Personnel benefits. . .		533		264		- 269
21.0 Travel & trans. of persons		266		132		- 134
25.0 Other services		255,356		0		-255,356
Total, direct obligations	145	$262,016	65	$3,300	-80	$-258,716

Note: This object class distribution reflects the allocation of resources presented in the FY 84 Congressional justification. Some estimates may differ from those shown in the budget appendix due to technical adjustments made subsequent to submission of the appendix.

Budget Line Item: Transportation

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent	24	$ 1,239	8	$ 245	-16	$- 994
11.3 Other than full-time permanent	1	81	2	69	+ 1	- 12
11.5 Other personnel comp.						
Total, pers. comp.	25	1,320	10	314	-15	- 1,006
12.1 Personnel benefits.		120		29		- 91
21.0 Travel & trans. of persons		60		14		- 46
25.0 Other services		55,902		40,600		-15,302
Total, direct obligations	25	$57,402	10	$40,957	-15	$ -16,445

Budget Line Item: Industrial

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent	32	$ 1,240	15	$ 597	-17	- 643
11.3 Other than full-time permanent	1	80	1	48		- 32
11.5 Other personnel comp.						
Total, pers. comp.	33	1,320	16	645	-17	- 675
12.1 Personnel benefits.		120		59		- 61
21.0 Travel & trans. of persons		60		29		- 31
25.0 Other services		35,078		9,900		-25,178
Total, direct obligations	33	$36,578	16	$10,633	-17	$ -25,945

Budget Line Item: Multi-Sector

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent	22	$ 197	2	$ 87	-20	$- 110
11.3 Other than full-time permanent	0	6	1	3	+ 1	- 3
11.5 Other personnel comp.						
Total, pers. comp.	22	203	3	90	-19	- 113
12.1 Personnel benefits.		18		8		- 10
21.0 Travel & trans. of persons		9		4		- 5
25.0 Other services		14,379		3,000		-11,379
Total, direct obligations	22	$14,609	3	$3,102	-19	-11,507

Note: This object class distribution reflects the allocation of resources presented in the FY 84 Congressional justification. Some estimates may differ from those shown in the budget appendix due to technical adjustments made subsequent to submission of the appendix.

Energy Conservation Program and Financing
(in thousands of dollars)

Identification Code 89-0215-0-1-272	1982 Actual	1983 Est.	1984 Est.
PROGRAM BY ACTIVITIES:			
1. Buildings and Community systems	48,683	43,963	16,385
2. Industrial	26,004	36,578	10,633
3. Transportation	62,149	57,402	40,957
4. State and local assistance	236,158	262,016	3,300
5. Multisector	15,480	14,609	3,102
10.00 Total obligations	388,474	414,568	74,377
FINANCING:			
17.00 Adjustments in unexpired accounts	- 4,337	--------	------
21.40 Unobligated balance available, start of year.	-137,007	- 71,278	------
22.40 Unobligated balance transferred from other accounts	-172,608	- 64,000	------
24.40 Unobligated balance available, end of year	71,278	--------	------
40.00 Budget authority (appropriation)	145,800	279,290	74,377
Relation of obligations to outlays:			
71.00 Obligation incurred, net	388,474	414,568	74,377
72.40 Obligated balance, start of year	712,645	568,267	320,935
74.40 Obligated balance, end of year	-568,267	-320,935	- 75,312
77.00 Adjustments in expired accounts	- 513	--------	--------
78.00 Recovery of prior year obligations	- 4,337	--------	--------
90.00 Outlays	528,002	661,900	320,000
STATUS OF DIRECT LOANS (in thousands of dollars)			
ADDENDUM: FEDERAL FINANCING BANK TRANSACTIONS:			
Direct loans made by the FFB and guaranteed by this account:			
1410 Outstanding, start of year	2,018	--------	--------
1430 New loan disbursements	141	--------	--------
1450 Repayments	- 2,159	--------	--------
1490 Outstanding, end of year	--------	--------	--------
STATUS OF GUARANTEED LOANS (in thousands of dollars)			
CUMULATIVE BALANCE OF GUARANTEED LOANS OUTSTANDING:			
2210 Outstanding, start of year	5,425	63	-------
2231 Loans guaranteed: New loans guaranteed	141	--------	-------
2250 Repayments and prepayments	- 2,159	--------	-------
Adjustments:			
2261 Terminations for default	- 2,362	- 63	-------
2263 Other adjustments, net	- 982	--------	-------
2290 Outstanding, end of year	63	--------	-------
MEMORANDUM			
2299 U.S. Contingent liability for guaranteed loans outstanding, end of year	63	--------	-------

Energy Conservation-Personnel Summary

Identification code 89-0215-0-1-272	1982 Actual	1983 Est.	1984 Est.
Total number of full-time permanent positions.	314	278	123
Total compensable workyears:			
Full-time equivalent employment	345	285	128
Full-time equivalent of overtime and holiday hours	12	4	1
Average ES salary	$57,500	$63,800	$63,800
Average GS grade	11.43	11.25	10.80
Average GS salary	$25,000	$25,000	$25,000

Questions Submitted by Senator Robert C. Byrd

Failure to Maintain Congressionally Mandated Staff Levels

Question: Mr. Tribble, the Fiscal Year 1982 Supplemental Appropriations Act which was passed seven months ago, requires that the Department maintain not less than 352 positions in the Conservation Programs subject to this Subcommittee's jurisdiction. How many positions were filled at the end of February 1983?

Answer: The Conservation Programs had a total of 334 filled positions at the end of February 1983. In addition there were three recruitment actions in process.

Question: So, after seven months, you still are not meeting the requirements of the law. What specific guidance have you issued and what steps have you taken to fulfill the requirements of this law? Please submit for the committee files any written correspondence or directives which you issued to your staff to satisfy this Congressional mandate.

Answer: Following establishment of the mandated floors, I requested that the Deputy Assistant Secretary for Conservation develop a list of critical vacancies for use in filling both existing and future vacancies. Following submission of this listing, meetings were held to discuss the priorities for such vacancies. Recruitment actions were submitted to bring headquarters staffing levels up to the floors. Correspondence was also directed to the field to direct that the floors be maintained, and to request notification of the status of actions taken to maintain the floors. As staffing levels again fell below the floors, verbal requests were made to initiate another assessment of staffing needs, so as to generate another priority listing. We are now in the process of reviewing this assessment to identify additional positions for recruitment. We are making every effort to maintain the staffing levels mandated by the Congress.

Failure to Obligate Funds in a Timely Manner

Question: The Administration's FY 1983 budget request for energy conservation programs was $21.8 million. The Congress clearly did not share your views on the Federal responsibility for energy conservation because we appropriated $343.3 million, or nearly fifteen times more for FY 1983 than was requested. Of the $388 million which the Department's accounting reports indicate is available for obligation in FY 1983, how much have you actually obligated through the end of February?

Answer: As of the end of February, $42.4 million had been obligated. However, it should be noted that $219.2 million had, at that point in time, been authorized by the Office of Conservation and Renewable Energy for processing by the Office of Procurement, which was 56% of the available funding. As of the end of April, a total of $312.4 million had been authorized, which was 80% of the available funding. Actual obligation of funds does not occur until the contracting official completes all negotiations and signs the contractual document. Such processing may take up to 120 days to complete. Authorization levels cited are considered high for this point in the year, especially when one considers that final appropriations were not received until the end of the first quarter.

Conservation Research and Development to Assist the Steel and Aluminum Industries

Question: Mr. Tribble, as I am certain you are well aware, the steel and aluminum industries have suffered tremendous losses during the present recession. I am concerned, particularly with respect to the steel industry, that these losses and the severe unemployment which accompanies them is not just a temporary cyclical, economic phenomenon. In many respects the failure of this country to make technological advances in these industries has led to relatively inefficient production methods and lost jobs for Americans.

What specific projects is the industrial conservation division involved in at the present time which could reduce the energy requirements and, therefore the cost, of producing steel and aluminum in this country?

Answer: The projects which are directed toward reducing energy requirements in steel and aluminum include advanced electrode materials research and development (wettable cathode - develop titanium diboride system and test in pilot cells - Kaiser Alum.; inert anodes - develop inert, non-consumable materials for use as anodes and test in pilot cells - Alcoa; current efficiency studies - analyze, using Raman spectroscopy, reactions and intermediate species in electrolytic cells - MIT; and high purity materials development - synthesize ultra pure single crystal powders for electrode application - MIT), melting and smelting processes (cupola air injection - design and testing of system for combusting cupola off-gases Penn State Univ.; coal fired aluminum remelt - design, testing of slagging coal combustor Alcoa; and dry cooling of coke - design, research on system for capturing and using waste heat - U.S. Steel), comminution (crushing and grinding - negotiating several research contracts based on responses to competitive solicitation - Idaho National Engineering Laboratory), metals processing (thin strip casting - negotiating contracts for research, testing of methods to cast .050 inch steel strip directly from liquid metal - Idaho National Engineering Laboratory) and sensor development for high temperature processing (remote high temperature inspection of hot steel slabs - Honeywell, U.S. Steel; development and testing of protective sheath materials for sensors used in high temperature, corrosive environments - Army Materials & Mechanics Research Center, Watertown, MA; remote measurement of the thermal state of hot solids and solidifying bodies - Battelle Columbus, AISI; and development of sensor for direct measurement of liquid steel composition - AISI Los Alamos National Laboratory.)

Question: Would you please describe the work you are doing in thin strip steel casting and identify the potential energy savings of this process and the companies with which you are working.

Answer: The Phase I analysis of technical and economic feasibility of thin strip casting concepts will be started during April 1983. The current goal is to identify candidate processes for direct casting of 0.050 inch thick steel strip, to be rolled to 0.030 inch and thinner. Product manufacturing costs and energy consumption will be re-estimated within six months. Phase II will follow selection of a process for laboratory development and verification.

Industry shipments of steel total 80 to 100 million tons per year. Thin strip applications total 10 million tons per year. Energy consumption in the industry averages 28 million Btu per ton. Energy saving potential equals 10 million Btu per ton or 0.10 quad per year.

Prospective contractors include: Westinghouse, General Electric, Battelle Columbus Laboratory, and the Material Science and Engineering Department at the Massachusetts Institute of Technology.

Question: What progress have you made to date on the wettable cathode project with Kaiser Aluminum, and when might a prototype of this cathode be installed in a commercial plant?

Answer: Kaiser Aluminum has completed the pilot cell testing of Ti B_2 under its contract with DOE. The work was partially successful, in that, material compatibility was proven. Although energy savings were also proven, they were below expectations. Additional exploratory work must be completed before a wettable cathode can be installed in a commercial cell.

SUBCOMMITTEE RECESS

Senator McCLURE. Thank you very much.

The subcommittee will stand in recess until 2 p.m. on Tuesday, April 5, when we will review the budget requests of the Office of Surface Mining, Reclamation and Enforcement, and the Institute of Museum Services.

Thank you, Secretary Tribble, and those who are with you today.

[Whereupon, at 3:45 p.m., Thursday, March 20, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 5.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 5, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Byrd, Huddleston, and Burdick.

DEPARTMENT OF THE INTERIOR

OFFICE OF SURFACE MINING, RECLAMATION, AND ENFORCEMENT

STATEMENT OF JAMES R. HARRIS, DIRECTOR

ACCOMPANIED BY:

CARSON W. CULP, JR., ASSISTANT DIRECTOR, BUDGET AND ADMINISTRATION
DANIEL N. MILLER, JR., ASSISTANT SECRETARY, ENERGY AND MINERALS
J. STEVEN GRILES, DEPUTY DIRECTOR, OFFICE OF SURFACE MINING
DEAN K. HUNT, ASSISTANT DIRECTOR, TECHNICAL SERVICES AND RESEARCH
WILLIAM B. SCHMIDT, ASSISTANT DIRECTOR, PROGRAM OPERATIONS AND INSPECTION
JOSEPH W. GORRELL, DIRECTOR OF BUDGET

INTRODUCTION OF ASSOCIATES

Senator MCCLURE. The committee will come to order. This is the time scheduled to review the fiscal year 1984 budget request for the Department of the Interior's Office of Surface Mining, Reclamation, and Enforcement, and for the Institute of Museum Services

We will begin with the Office of Surface Mining, whose fiscal year 1984 budget request of $282,299,000 represents an increase of $60,734,000 over the fiscal year 1983 appropriated level.

Representing the Department this afternoon will be Mr. Daniel N. Miller, Jr., Assistant Seccretary for Energy and Minerals, and Mr. James R. Harris, Director of the Office of Surface Mining Reclamation and Enforcement.

PREPARED STATEMENT

We welcome you this afternoon, gentlemen, and invite you to introduce the associates with you at the witness table and we will then proceed with questions. As always, your full written statement will be made a part of the record.

[The statement follows:]

STATEMENT OF JAMES R. HARRIS

It is with enthusiasm that I appear before you to discuss the Office of Surface Mining's (OSM) accomplishments during the past two years and the agency's future directions as set forth in the Fiscal Year 1984 Budget request. I believe that our small but productive agency is accomplishing its mission successfully. The returns for hard work and creative thinking are readily apparent. We are proving that the goals of efficient coal production and sound environmental practices are not incompatible, but complementary.

When I assumed the Director's job, I wanted to set an example for excellence and innovation in mining regulation and reclamation which would provide incentives and encouragement to the States and the private sector. President Reagan has often said that a goal of his Administration is to establish a climate in which the creative energies of the American people are unleashed. We at OSM have taken this commitment seriously and embodied it in our program approach.

I want to review the progress of the last two years to illustrate this point in four key areas:

- o regulatory policy and practice;
- o oversight;
- o the operation of the Abandoned Mine Land (AML) Fund; and
- o the reorganization of the Office of Surface Mining

I believe that such an examination demonstrates that we are effectively promoting excellence and innovation in regulation and reclamation. In so doing, we are meeting a fundamental goal of the Surface Mining Control and Reclamation Act (SMCRA) by ensuring that our programs are preventive as well as remedial in nature. Like the most capable physician, we want to treat problems successfully, but we also want to minimize the likelihood of their occurrence in the first place.

During the past two years, we have actively presided over a transition from Federal to State predominance in program operations. Twenty-five States with 99 percent of the mining facilities subject to the Act's requirements have now achieved primacy; of this total, State programs covering 88 percent of the facilities were approved since we took office. States with conditional approvals are rapidly satisfying the conditions to correct minor deficiencies and gain full approval. State predominance in regulatory operations as the counterpart of Federal predominance in policy is what Congress intended, but this would not have occurred as rapidly without OSM's policy initiatives. We have used the flexibility that is prudently allowed by the Act to encourage State development of programs which are tailored to their individual needs. Our amendment to the "State window" regulations focused on desired ends rather than means, precisely as the Act intended. We asserted that a State program must be "as effective as" the Federal program -- but not its clone. This broke what was a serious impasse in the implementation of SMCRA, as many States had understandably not wanted to duplicate the Federal regulations. In short, we did not believe that an attempt to define exactly the road to excellence and innovation was wise policy, but instead a contradiction in terms. If you will pardon the analogy, I cannot imagine teaching a young artist to paint by the numbers or insisting that a promising concert pianist play on a player piano.

Skeptics have suggested that the "as effective as" standard indicates our intent to circumvent SMCRA; in reality, we created the conditions that allowed it to work. I would like to point out to our critics that scholars and others long respected in the environmental community have frequently expressed the need for more creative State approaches to regulation. They regard the Federal government as most effective when it guides, not when it dictates.

We have continued to follow through on the commitment to regulatory reform initiated by President Reagan. In January, a Final Environmental Impact Statement (EIS) on many proposed revisions to the permanent program regulations was issued. I am extremely proud of this effort. The EIS explores a variety of regulatory alternatives in an objective and fair manner that is not often apparent in such documents. At the same time, I believe that OSM's preferred alternative as outlined in the EIS will protect the environment without imposing

unproductive regulatory burdens. We have been accused of attempting to "weaken" the regulations, yet a fair examination of our proposal will not substantiate this contention. I am convinced that what is now regarded as controversial will ultimately be the basis of a consensus on how regulation should be implemented. I assure you that OSM will not become a paper tiger; but at the same time our oversight activities will not be rigidly prescriptive. Indeed, to do so would encourage the perception that regulatory compliance is a pro forma exercise that need not be undertaken in good faith.

This is not the proper forum in which to summarize the proposed regulations in detail. But I would like to address the basic approach embodied in OSM's preferred alternative, which emphasizes performance standards rather than the exacting design criteria of the current regulations. The design criteria were formulated when both the Federal and State programs were in their infancy, and were intended to allow the Federal government to maintain absolute control over the most minute aspects of mining operations. The experience of the past several years shows that this overbearing approach often resulted in project overdesign or underdesign. The former increased costs yet did not necessarily reduce environmental impacts; the latter, of course, failed to ameliorate adverse effects. This was the inevitable result of such an inflexible approach, given the varied settings in which surface mining operations take place. Yet another serious, though not easily measurable, cost was the stifling of creativity in State agencies and the private sector.

I believe that the use of performance standards is a common sense approach that will lead to more efficient and effective regulation. This contention is supported by experience in other regulatory fields that use standards and guidelines instead of prescribed design criteria. Modern building codes, for example, recognize that it is not necessary to apply the requirements for high-rise construction to mobile homes. OSM's performance standards, soundly based on principles set forth in SMCRA, will effectively protect the environment. They will also enable avoidance of bureaucratic rigidity.

I also wish to discuss our preferred approach for dealing with Valid Existing Rights (VER), as specified in the Act. When we initiated the regulatory reform effort, some attempted to raise the spectre of widespread mining in national parks and other sensitive areas such as wild and scenic rivers. Our preferred alternative demonstrates that such fears are groundless. It proposes that we apply VER only in compliance with Constitutional prohibitions against "taking," the application of which has been carefully circumscribed by the courts. This application of VER is the narrowest permitted by the Act and clearly will not permit wholesale mining in these valuable natural resources. The preferred alternative would also include "an additional prohibition on mining on Federal lands and a commitment by the Secretary to employ the full range of his legal capabilities to ensure that there will be no surface coal mining, permitting, licensing, or exploration on Federal lands within national parks or other statutorily protected areas of section 522(e)(1) of the Act unless called for by acts of Congress." If any person successfully establishes valid existing rights to conduct mining operations within these areas, the Secretary may use the authority granted under other statutes to acquire these rights by purchase, exchange, or condemnation, so that mining does not occur.

The development of an effective oversight policy is an accomplishment that has accompanied regulatory reform. Since virtually no State had attained primacy prior to Fiscal Year 1981, OSM's efforts had been concentrated on assisting States to develop regulatory programs; there had not been any concentrated effort to develop an oversight strategy until well into the 1981 Fiscal Year. The term "oversight" has been subjected to misunderstanding. To us, oversight is not a term of art but the execution of a comprehensive set of responsibilities designed to verify whether the intent of SMCRA is being met. These responsibilities are as broad as providing technical assistance to State programs and as specific as issuing cessation orders for violations which create an imminent danger to health and safety. The increased flexibility we provide to States in operating their programs is accompanied by diligent Federal evaluation and technical assistance efforts. The oversight program epitomizes what I said earlier about the need to prevent problems as well as to remedy them. It indicates that we do not permit States to have increased authority without expecting increased responsibility for performance.

Evaluation of State performance is therefore a key component of oversight, and both Headquarters and field office staff assume this responsibility in accordance with the oversight policy statement provided to the Congress last year. This is done through continuous informal communication and by structured and rigorous annual performance evaluations. These evaluations address all areas of State operations and document accomplishments and problems. A sufficient time has passed since the oversight policy was implemented to assess dominant trends in State program performance. Preliminary evaluation reports are largely encouraging about current State capabilities and the likelihood of their improvement. At the same time, they also disclose problem areas that OSM is addressing in concert with the States. We have never contended that implementation of SMCRA's intent to make States the primary program operators would occur without problems. Yet those who believed that OSM would hesitate to address these problems will be surprised by the candidness of the evaluation reports. In general, the trends we observe thus far are very positive and problems are being addressed successfully. Where significant problems were observed, we acted in a timely and vigorous manner. For example, we have requested the Governors of Kansas and Oklahoma to address problems regarding the frequency of inspections and program staffing levels. In addition, specific problems in other States have been identified and we have formally requested State officials to address these problems.

Another component of oversight that we are implementing vigorously is inspections. These inspections, perhaps more than any other activity we perform, indicate whether the State program is functioning effectively. Oversight inspections are based on a sampling strategy that was originally developed by the previous Administration and refined somewhat under the current leadership. The sampling methodology has been misunderstood by some, who do not realize that it is not unique to surface mining regulation. In fact, many areas of environmental regulation have long employed sampling as the most efficient and effective approach to verify performance. These include air and water quality monitoring, emissions control, and workplace health and safety. The sampling approach, when combined with our citizen complaint inspections, review of State permitting processes, and other evaluation activities, constitutes an effective oversight inspection program that fully meets SMCRA's mandate yet, as SMCRA also demands, avoids duplication of State enforcement. The fact that citizen complaints declined by almost 50 percent in Fiscal Year 1982 in comparison to the previous year is evidence that the sampling program is working, and we are continuing to assess it through in-house and contracted efforts.

One of the accomplishments of the past two years of which I am most proud is that the Title IV State reclamation grant program is now on track. When this Administration took office, Title IV reclamation programs had only been approved for two States, primarily because prescriptive Federal regulations had discouraged State development of Title V regulatory programs, approval of which is prerequisite to Title IV approval. Since 1981, however, the number of approved Title IV programs has increased from two to 19, and is expected to total 23 by the end of this fiscal year. Funding for State reclamation grants has increased from the Fiscal Year 1981 level of $29 million to the current level of $132.5 million, and we are proposing $193.9 million--a 46 percent increase--for Fiscal Year 1984. State programs have rapidly staffed up and are increasingly capable of managing more sophisticated projects.

Furthermore, in an effort to clarify program approach and purpose, OSM is implementing its newly developed AML Policy Statement, a copy of which I am submitting to the Committee. The policy was developed with consultation from State and Tribal representatives and other interested groups. It explicitly states OSM's commitment to make available annually an amount at least equal to States' Share revenues; to provide these States' Share and additional Secretary's Discretionary Share monies in proportion to State needs, as compared to projected revenues over the life of the Fund; and to ensure that funds are primarily used to address the Nation's most severe abandoned mine land problems as required under the Act. OSM's 1984 request for State Reclamation Program grants is consistent with this policy. We believe that this is the most efficient and effective way to manage the Fund, particularly since projected revenues during the authorized period will allow only the highest priority abandoned mine problems to be addressed.

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The Administration's policy of strengthening State programs is enabling the reduction of Federal delivery mechanisms, thereby accomplishing reclamation at the most appropriate governmental level and decreasing Federal administrative costs. Federal efforts are now being concentrated on addressing problems in nonprimacy States and assisting approved State programs. We will continue to undertake emergency projects at the Federal level using the rapid response procedures that we have refined.

Finally, in reviewing the past two years' accomplishments, I wish to address OSM's reorganization. The reorganization is now complete, and its advocates and critics can make a more dispassionate examination of its impact. First, I wish to note that the cost savings which we expected to occur through reorganization have in fact occurred. A recent analysis requested by the House Appropriations Subcommittee, a copy of which I am submitting to you, shows that after the closeout of one-time costs for employee relocation and other expenses, future savings will closely approximate if not exceed OSM's original projection of $5.3 million annually.

As important as these savings are, however, I believe that they are secondary in importance to the programmatic benefits of reorganization. SMCRA requires the Secretary to assume the lead role in regulatory and reclamation policymaking, delivering technical assistance to the States, and implementing a rigorous oversight program. The previous OSM organizational structure, however, was best suited to the interim situation in which the Federal government also played a predominant role in operating on-ground programs. With the growth of State programs, this structure hindered the accomplishment of OSM's mission. The new organization of 13 field offices promotes effective program guidance and oversight. The two technical centers provide a "critical mass" of professionals in the many disciplines needed to address regulatory and reclamation problems, and concentrate on assisting States to meet short and long range concerns, both site-specific and otherwise. The Headquarters staff contains the policy formulation and management capabilities that allow us to take advantage of decentralization without sacrificing the cohesiveness that is expected of the Agency.

In summary, I believe that we at OSM have created a climate in which excellence and innovation can flourish in the agency, the States, and the private sector. We have done so not by trying to define these desirable characteristics in exacting terms, but by establishing broad principles and sound programs to which we have demonstrated our commitment. As a result, both OSM and the States are discovering that they possess capabilities that perhaps neither anticipated. I am confident that we are moving beyond a period of conflict to a period of stability and productiveness. I am also convinced that the direction we have chosen, once seen as controversial, will form the basis of a consensus regarding regulatory and reclamation program management. I therefore look forward to the future with the same enthusiasm in which I have reviewed the past.

Highlights of the 1984 Budget Request

The 1984 budget request effectively represents our policy to rely on the States as the primary actors in regulation and reclamation, to provide rigorous oversight and responsive technical assistance, and to encourage high quality and innovative programming. I call your attention to two characteristics of the Budget request that exemplify this policy: the proposed aggregate increase of $66.85 million--41 percent--in regulatory and reclamation grants to States; and the stable employment levels for OSM in general and for individual programs in particular, within which staff allocations are adjusted to reflect current priorities. Together, these factors indicate the steady development of State programs and OSM's emergence as a mature and stable organization.

Regulation and Technology

The overall request for Regulation and Technology is $63.5 million, a $2.3 million increase from the Fiscal Year 1984 base.

State Regulatory Program grants are proposed at $37.6 million, a $5.45 million increase. This will offset increased State costs for fully operational programs and allow funding of cooperative agreements under which five additional States

(12 States overall) will perform regulatory functions on Federal lands. OSM's policy is to encourage approved State programs to perform these functions for the Federal government; in 1984, almost half of the States with primacy will do so, including all States with significant Federal acreage. In addition, OSM will assist three Indian tribes to acquire the skills needed to operate regulatory programs. This will allow the tribes to begin operating programs at the earliest feasible date after Congress enacts the necessary authorizing legislation. We expect to submit a report to the Congress this Spring which sets forth Indian regulatory program alternatives.

Program Operations and Inspection will be maintained at the base level of $10.7 million. This will enable continuance of an effective oversight program, including the current level of 69 full time inspectors and 14 part-time inspectors, as well as the administration of Federal programs in nonprimacy States, all of which will have Federal programs in place by the end of the current fiscal year. In addition, Federal and Indian lands programs will be maintained at current levels.

Technical Services and Research is proposed for $9.3 million, a $1.8 million decrease from the base. The overall decrease reflects workload reductions in several areas such as regulatory reform, in which our major efforts are almost complete, and NEPA/Mine Plan Review, where one-time repermitting efforts are proceeding satisfactorily. These reductions will permit us to reallocate staff energies to technical advice and assistance, demands for which are increasing to support State programs, and to supplement OSM's oversight efforts. It is important to note that overall staff resources for this activity will remain at current levels, thereby assuring maintenance of professional expertise. Most of the reduction occurs in contracting associated with the mine plan review and research functions. Mine plan review requirements are decreased since the additional funds Congress provided for Fiscal Year 1983 will reduce future Federal workloads, as will the proposed increase in State Cooperative Agreement funding for Fiscal Year 1984. The research requirement is decreased since the Bureau of Mines will carry out certain research projects that pertain to OSM's needs in accordance with a forthcoming interagency agreement.

OSM's General Administration request is divided between the Regulation and Technology and Abandoned Mine Reclamation Fund appropriations. Our recent efforts to streamline administrative operations have been successful. In addition, the funding of employee relocation costs in Fiscal Year 1983 represents a one-time expenditure. Consequently, the total request for General Administration is $10.0 million, a $1.4 million decrease from the base. I am also pleased to note that the Objectives Management System which was developed in 1982 is now being implemented. This system will provide more definite indicators of organizational performance and assist in managing OSM's decentralized structure.

Abandoned Mine Reclamation Fund

The overall request for the Abandoned Mine Reclamation Fund is $218.8 million, an increase of almost $57 million from the Fiscal Year 1984 base.

State Reclamation Program grants are proposed at $193.9 million, an increase of $61.4 million. This demonstrates OSM's commitment to the AML policy discussed earlier: to fund State programs at levels they require, as determined through analysis of needs estimates submitted by the States. It also demonstrates the States' increasing capacity to administer comprehensive reclamation programs. In Fiscal Year 1983, we expect obligations from the States' share of the AML Fund to exceed State-share revenues for the first time. We believe that future years will show a marked decrease in the current States' Share balance of $359.6 million, and that increasingly generous allocations will be proposed from the Secretary's Discretionary Share to meet State needs. Indeed, the results of the Administration's commitment to support State programs are already apparent. State program approvals have increased from two to 19 since 1981, as I indicated earlier, and will total 23 in 1984. The States are initiating larger and more complex projects and managing a greater variety of project types.

The benefits of State reclamation program development are now clearly visible. In Fairmont, West Virginia, for example, the city's downtown is threatened by

subsidence attributed to an underlying abandoned deep mine. The State, using almost $3 million in AML grant funds, is initiating a two-year project to stabilize the situation and abate this threat to a community of 26,000 people.

Reclamation Fund Management is proposed at $6.0 million, an increase from the base of slightly less than $1 million. This increase will support staff costs previously offset by unexpended carryover balances. We have developed an effective AML technical assistance and oversight program that includes an annual report on each State, in which performance is assessed and recommendations made for remedial actions as necessary. Grant management has become increasingly responsive to State needs, as exemplified by the policy I implemented last fall which requires complete processing of approvable State grant requests within 60 days. Our fee compliance effort, which now includes the assistance of a commercial collections firm, is functioning effectively and will be maintained at the current level. By the beginning of Fiscal Year 1984, we expect our fee compliance initiatives to result in a decrease in payments owed to the Federal government. In addition, the National AML Inventory will soon be fully operational, providing a means to focus resources on the reclamation problems that require priority attention under the Act. As a result of these initiatives, fund management capability is increasing in tandem with project management capability, not as an afterthought.

The steady development of State reclamation programs verifies the soundness of our policy to focus direct Federal project management more distinctly and to phase out the current Rural Abandoned Mine Program (RAMP) of the Soil Conservation Service.

Federal Reclamation Projects are proposed at $11.7 million, a $4.7 million decrease from the base. The decrease reflects a lack of need for additional funding provided to projects under the Congressional add-on for Fiscal Year 1983. The program will emphasize management of emergency and high priority projects in nonprimacy States and on Tribal lands, and assistance to State agencies on technical problems. OSM's monitoring and data collection efforts will enable States to anticipate and address problems before they reach the crisis stage, thereby furthering our commitment to preventive as well as remedial programming. OSM will also initiate a limited number of projects that promise potential technological "spinoffs." As a result, the contributions of the Federal program to solving reclamation problems will be greater, despite the decreased funding request.

The RAMP request is $3.1 million, a $0.6 million decrease from the base. The increased funding for State reclamation grants is allowing States to develop their own administrative mechanisms for carrying out RAMP-type projects, such as contractual agreements with local conservation districts. As a result, the best features of the program are being preserved and focused at the appropriate planning scale. Consequently, future RAMP funding will be used to complete existing project commitments and close out the direct Federal program.

No funds are requested for Small Operator Assistance payments. We anticipate that approximately $6.3 million in carryover funds will be available for this purpose in Fiscal Year 1984. This amount is sufficient to meet projected demands.

I expect you will agree that the Administration's Fiscal Year 1984 request for OSM demonstrates its commitment to provide adequate support for State programs and to ensure the soundness of our agency, both of which are necessary to meet the goal of achieving excellence and innovation in coal mining regulation and reclamation. As I said earlier, I believe that our actions, once regarded by some as controversial, are forming the basis for a broad and productive consensus. I therefore look forward to moving beyond the debates of the past to a constructive partnership for the future.

Biography of James R. Harris

Mr Harris was appointed by President Reagan as Director, Office of Surface Mining which is responsible for the implementation of the Federal coal mining and reclamation standards.

Mr. Harris, a certified professional geologist has both technical and practical experience in the coal mining industry.

A native of the State of Indiana, he graduated from Indiana University in 1951. During his business and professional career Mr. Harris has worked as a consulting geologist in both the coal and petroleum industries, served as a mine superintendent in the surface coal mining industry, developed several business interests and served in both the Indiana Senate and the Indiana House of Representatives.

Biography of J. Steven Griles

Mr Griles was appointed Deputy Director of the Office of Surface Mining (OSM) June 18, 1981. Prior to this appointment Mr. Griles was the Assistant Director, Inspection and Enforcement for OSM.

From 1971 to 1981, Mr. Griles served the Virginia Department of Conservation and Economic Development in several different capacities. From 1971 to 1973 Mr. Griles functioned as a staff assistant for the Department. From 1973 to 1978 he operated as a Program Manager. From 1978 until his appointment with OSM he served as the Executive Assistant providing technical guidance, as well as providing analyses and evaluations in mining and reclamation.

Mr. Griles holds a B.A. degree from the Univesity of Richmond and served with the Virginia Army National Guard from 1970-1978.

Mr Griles resides in Reston, Virginia with his wife, Casey, and son, Matthew.

Biography of Dean K. Hunt

Mr. Hunt was born in Troy, New York in 1949. He holds a B.S. degree in Engineering from Bucknell University, 1971; a M.S. degree in Engineering from Bucknell University, 1979; and a J.D. from the University of Louisville, 1977, where he

graduated Magna Cum Laude. Mr. Hunt is also a registered Professional Engineer.

Prior to his appointment as Assistant Director of the Office of Surface Mining, Mr. Hunt was employed by D'Appolonia Consulting Engineerings in Pittsburgh, Pennsylvania. Mr. Hunt was involved in areas such as coal mining evaluations; mine design; permitting; analysis of regulatory programs; design of off-shore structures, ports, and hazardous waste disposal facilities; and preparation of environmental assessments.

Biography of William B. Schmidt

Mr. Schmidt is a mining engineer with broad knowledge of coal mining practices both in the United States and overseas. As Assistant Director, Program Operations and Inspection, he is responsible for oversight of State enforcement operations where States have achieved primacy, enforcement of Federal regulations, Abandoned Mine Land reclamation grants to the States, agreements with the States and Tribes, and other related matters.

Prior to beginning work for OSM, Mr. Schmidt was the Director, Office of Coal Mining, Department of Energy (DOE). He was responsible for DOE's research efforts in the areas of coal mining, preparation, and transportation. He was the department's prinicipal technical expert in the coal mining area. He has made numerous technical visits to coal mines and institutes in England, France, Germany, Poland, Russia, and China.

Prior to his transfer to DOE in October 1977, he was Chief of the Division of Mining Research-Resources in the Bureau of Mines, Department of the Interior. It was in this organization that he begin the coal production research program in 1974. Between joining the Bureau in 1971 and his promotion to Division Chief in 1974, Mr. Schmidt served as a Staff Engineer and established and headed the Computer Sciences Corporation.

Mr. Schmidt is a graduate of the Colorado School of Mines (CSM), Golden, Colorado. He holds two professional engineering degrees (Engineer of Mines and Geologic Engineer) from CSM. He also has received a MBA from the Bernard M. Baruch School of Business in New York City.

JAN 18 1983

Honorable Sidney R. Yates, III
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the request contained in House Report 97-942, enclosed are schedules of the cost associated with the Office of Surface Mining's reorganization and the savings realized by the reorganization.

As the enclosures indicate, the reorganization resulted in a $6.1 million reduction in FY 1982 operating expenses. The FY 1981 and 1982 one-time costs of implementing the reorganization were $2.4 million, and we are estimating further one-time expenses of $1.4 million in FY 1983. The latter amount is primarily delayed employee relocation expenses as discussed in our September 16, 1982, letter to you. Savings realized in future years should closely approximate OSM's original estimate of $5.3 million dollars.

Sincerely,

DIRECTOR

Schedule 1

Office of Surface Mining
Reorganization Cost

	Projected Cost of Reorganization	Actual Cost FY 81	Actual Cost FY 82	Projected Cost FY 83	Total Cost	Savings From Original Projected Reorganization Cost
Office Move	$ 127,644	$	$ 89,713	$	$ 89,713	$ 37,931
Store Furniture	66,114		6,330		6,330	59,784
Store Vehicles	4,460		none identified			4,460
Relocate Vehicles	7,500		2,056		2,056	5,444
Storage Charge	12,250		none identified			12,250
Telephone Installation	12,000		(A) 12,000		12,000	-0-
Radio Equipment	33,150		108	10,000	10,108	23,042
Relocation	3,682,000		1,397,949	1,250,000	2,647,949	1,034,051
Lease Termination	71,229		(A) 71,229		71,229	-0-
Severence Pay	1,031,520	33,551	790,801	161,477	985,829	45,691
Total	$5,047,867	$33,551	$2,370,186	$1,421,477	$3,825,214	$1,222,653

(A) Cost for telephone installation and rental lease termination were not separately identified in OSM's accounting records, but were included in FY 1982 operation costs. For purposes of this report, it is assumed that telephone installation and lease termination costs equalled the projected amount. Actual costs on Schedule 2 have been reduced by like amounts.

Schedule 2

Office of Surface Mining
Reorganization Savings FY 1982

Description Cost	Annual Costs At Time Of Reorganization	Actual FY 82 Costs	Adjustments	Adjusted FY 1982 Cost	Savings
Telephone Field Locations	$ 468,936	$ 226,844	(A)$ (12,000)	$ 214,844	$ 254,092
Office Space Field Locations	1,231,045	1,385,159	(A) (71,229) (B) (34,546) (C) (150,000)	1,129,384	101,661
Personnel Costs At OSM	30,409,924	25,488,544	(B) (840,401)	24,648,143	5,761,781
Total	$32,109,905	$27,100,547	$(1,108,176)	$25,992,371	$6,117,534

(A) See Schedule 1

(B) During FY 82, OSM assumed responsibility for reclamation programs of the Bureau of Mines. As a part of its new responsibilities, OSM incurred personnel and space cost that cannot be attributed to the reorganization. Accordingly, office rent ($34,546 and personnel costs ($804,401) have been adjusted to remove these unrelated costs.

(C) It is estimated that $150,000 in refunds for rental space are due from GSA. Accordingly, office rent has been reduced by this amount.

Date Prepared JAN 21 1993

STATEMENT OF ABANDONED MINE LAND POLICY

The Surface Mining Control and Reclamation Act (Act) establishes the authority of States/Tribes to administer reclamation programs using monies available as a result of the deposit of reclamation fees into the Abandoned Mine Land Reclamation (AML) Fund. It is the policy of the Director of the Office of Surface Mining (OSM) that, within the constraint of total revenues projected to be collected over the life of the Fund, monies from the Fund be applied to render benign both those conditions most hazardous to the welfare of the public and those representing most severe sources of environmental damage from past mining. (NOTE: Use of the word "Fund" throughout this document refers to all monies, both State/Tribal-share monies and Secretarial-share monies). The significance of this position becomes apparent when one compares the resources to be provided by the Fund with the magnitude of the Nation's reclamation problem. It is estimated that approximately $3 billion will be collected over the legislated 15-year life of the reclamation fee. However, the total cost of correcting the damage associated with past mining has been estimated at up to $30 billion.

Delineation of the fundamental legal and administrative positions relating to this policy follows.

STATUTORY AUTHORITY AND REQUIREMENTS:

In Sections 402, 403, 404, and 409, as summarized below, the Act sets forth, prioritizes and limits the reclamation purposes of the Fund.

(1) Section 404 limits eligibility for reclamation expenditures to coal-related problems resulting from mining which ceased prior to August 3, 1977.

(2) Section 402(g) provides that the Secretary may withdraw and subsequently redistribute any State/Tribal-share monies which have not been expended by a State/Tribe (or by OSM on behalf of a State/Tribe) within three years of allocation (which occurs automatically and annually when collected monies are deposited into the Fund). The Secretary may expend these withdrawn monies in any State/Tribe containing eligible areas, including that State/Tribe where the monies originated.

Section 402(g) provides for discretionary Secretarial approval of community impact assistance projects and for funding of these projects only from State/Tribal-share monies. Such projects cannot be funded until all coal and non-coal reclamation has been achieved within the State/Tribe.

(3) Section 409(a) provides for reclamation of non-coal-related reclamation projects.

(4) Section 409(b) provides that only State/Tribal-share monies can be used for non-coal-related reclamation projects.

(5) Section 409(c) specifies that, with the exception of non-coal situations relating to the protection of the public health or safety, State/Tribal-share monies

first must be used to address all required reclamation with respect to abandoned coal lands. Priorities for funding coal reclamation projects are listed in Section 403.

Therefore, within a State/Tribe and except as noted above, coal projects must take precedence over non-coal projects (the latter projects are optional for a State/Tribe) and reclamation designed to protect the health, safety and general welfare of the public is to take precedence over other types of reclamation. Title IV of the Act (P.L. 95-87) contains more explicit and complete information regarding these authorities and requirements. To assist in the interpretation of OSM's policies, a composite list of the reclamation priorities contained in the Act is summarized in Attachment 1.

The basis for a State's/Tribe's AML program is its Reclamation Plan. Since State/Tribe Reclamation Plans are approved, modified and monitored on the basis of these same statutory requirements, there should be no conflict between those Plans and the provisions of this document.

APPROPRIATION PROCESS:

Under Section 401(d) of the Act, annual funding for the AML program is dependent upon Congressional appropriations. Following such appropriation of monies, OSM will ensure expeditious processing and approval of State/Tribal grants. The amount of such grants will be limited only by the State's/Tribe's need, and the assessed effectiveness and adequacy of State/Tribal program operations and staff resources as determined through the oversight process. To the extent possible, given the appropriation process and the States'/Tribes' ability to effectively utilize their monies, OSM actively will seek to make available annually an amount at least equal to the annual revenues of the Fund. Furthermore, since the current Fund balance is approximately three times the annual Fund revenues, annual grants could exceed annual revenues until the Fund balance and annual Fund revenues more closely coincide.

FUNDING MECHANISMS:

Section 402(g) of the Act authorizes two basic mechanisms for the accomplishment of reclamation within a State/Tribe. It authorizes the State/Tribal-share mechanism, through which 50% of the annual Fund revenues are allocated to and held in accounts in the United States Treasury for the States/Tribes pending appropriation, and the Secretarial-share mechanism, through which the balance of the annual Fund revenues are retained by the Secretary for both mandatory and discretionary program activities following appropriation. In the past, monies have been expended for AML reclamation activities through six separate delivery mechanisms. It is the policy of OSM that their use is to be as follows:

(1) State/Tribal grants. These will be the principal funding mechanism in the future. OSM believes that the States and Tribes are the entities best capable of assuring reclamation work is accomplished in the most cost-effective manner;

(2) Bureau of Mines reclamation projects. These were eliminated with the transfer of programmatic responsibilities and functions to OSM in February 1982;

(3) Rural Abandoned Mine Program (RAMP) projects funded through monies appropriated to the Department of Agriculture. Except for administrative costs for projects initiated in Fiscal Year 1982 or earlier, this funding mechanism was eliminated as of Fiscal Year 1983. Should the States/Tribes subsequently determine they are able and willing to undertake similar projects, they will be accomplished by the States/Tribes through monies included in State/Tribal grants;

(4) OSM Federal Reclamation Program projects accomplished through cooperative agreements with the States/Tribes. No new cooperative agreements will be initiated with States/Tribes that assume responsibility for the reclamation program authorized by Title IV of the Act;

(5) OSM Federal Reclamation (non-emergency) projects accomplished through Federal contracts. In the future, in recognition of the States'/Tribes' primary responsibility for non-emergency reclamation activities under approved Title IV programs, such OSM-approved projects will be initiated only in States/Tribes without approved Title IV programs; and

(6) OSM Federal Reclamation (emergency) projects accomplished through Federal contracts. In the September 29, 1982, Federal Register, OSM offered to States/Tribes a mechanism by which they might assume direct responsibility for emergency projects. Should a State/Tribe choose not to assume this responsibility, the Federal Reclamation Program will continue to be the mechanism through which emergency projects are handled for that State/Tribe.

ELIGIBILITY:

A State's/Tribe's eligibility to receive, expend and retain State/Tribal-share and Secretarial-share monies is dependent upon the status of both its Title V and Title IV programs, as illustrated in Attachment 2. OSM supports enactment of legislation which will permit Tribes to receive approval of their Title V and Title IV programs, thereby becoming eligible to receive Tribal-share monies and, as appropriate, Secretarial-share monies. In those instances where the Federal government assumes the responsibility for abandoned mine land reclamation for a State/Tribe, OSM also will assume the responsibility for assuring those States/Tribes annually receive their proportionate share of appropriated monies in accordance with the process described under "Fund Allocation." However, these monies will be used to implement only a limited reclamation program as described in Attachment 2, and not the comprehensive program available to States/Tribes which have both Title V and Title IV approved programs.

FUND UTILIZATION:

Section 402(g)(3) of the Act authorizes the Secretary to supplement State/Tribal-share monies with Secretarial-share monies, for use in coal-related reclamation, to ensure national reclamation program needs can be addressed in and by any State/Tribe. This provision offers a means for at least partially offsetting inequities existing between the revenues deposited annually in certain State/Tribal-share accounts and the magnitude of the inventory within those States/Tribes of lands and water affected by past mining.

OSM believes maximum reduction in the nation's most severe AML problems will be realized by:

1. Providing Secretarial-share monies in proportion to a State's/Tribe's total need for monies (to correct inventoried Priority 1 and 2 coal-related problems) as compared to its projected State/Tribal-share revenues over the life of the Fund (i.e., distributing these monies at least to those States/Tribes with inadequate State/Tribal-share monies to correct all inventoried problems); and

2. Encouraging use of the most cost-effective reclamation planning, practices and methodologies possible. To this end, and in States/Tribes with approved Title IV programs, OSM will, upon request, develop design specifications to facilitate expeditious implementation of approved projects, and also provide technical assistance in support of project monitoring activities.

In order to achieve a consistent reduction in the most severe damage resulting from past mining, OSM will ensure, through the State/Tribe Reclamation Plan and grant approval processes, that all monies from the Fund are generally applied in a manner closely following the order of priorities set forth in the Act. While economy of scale and other factors may result in lesser priority projects occasionally being undertaken in conjunction with higher priority projects, the effect on achievement of the Secretary's goal is not expected to be significant.

OSM has carefully considered the question of the proper treatment of research and development projects. It is recognized that reclamation technologies have gone unchanged for many years, and that research would provide new and improved reclamation technologies from both a technical and economic standpoint. OSM also recognizes it is not reasonable to encourage a proliferation of projects in a number of States/Tribes which may direct limited Fund revenues away from actual reclamation work or result in duplicative efforts.

OSM, therefore, believes a limited, coordinated coal-related research and development program, funded from Secretarial-share monies, to be the reasonable approach. Program needs submitted by individual States/Tribes would be prioritized by a central review panel comprised of State/Tribal and OSM representatives. Projects selected by need and availability of monies would be administered by either individual States/Tribes or OSM.

FUND ALLOCATION:

Since passage of the Act, various bases have been proposed for the allocation of the revenues of the Fund. Options have included use of statistics on population and past coal production, as well as various general measures of damage from past mining. These proposals have not addressed the true measure of the actual national reclamation problem. In order to more directly focus on the magnitude and specific nature of the problem, that is, on the number and types of abandoned mine land sites, OSM initiated an inventory of coal mining-related health, safety and general welfare problems on such lands. This effort, has yielded a relatively complete picture of the most severe problems at a point in time--a picture which can be changed by the States/Tribes in accordance with procedures established by OSM. By periodically modifying the inventory information to

eliminate inaccuracies and omissions, the States/Tribes and OSM will ensure its evolvement into a useful and valid tool for program planning and monitoring, grant application review and approval, and allocation of the Secretarial-share portion of the Fund.

The system for retrieving and modifying inventory data is expected to be fully operational in the Spring of 1983. At that time OSM will begin using that data for the purpose of Fund management. It is anticipated that at least annually, in addition to its regular fiscal year grant and periodic reports on the current status of pertinent Fund-related collection activities (e.g., fees collected, fees owed, delinquent mines), each State/Tribe will be provided a lump-sum projection of total monies it may expect to receive over the remaining life of the Act. A State's/Tribe's long-range program planning and staffing decisions, and its decisions concerning the size and composition of grant requests, can then take into account the estimate of available project monies.

To arrive at the estimate, the process described below will be followed.

1. A projection will be made of total revenues to be deposited into the Fund over its remaining life. These projections will be based on coal production estimates compiled by the U.S. Department of Energy.

2. Total projected revenues will be appropriately divided between the State/Tribal-share portion of the Fund and the Secretarial-share portion of the Fund.

3. Current balances in the State/Tribal-share portion and Secretarial-share portion of the Fund will be added to the respective share's estimated future revenues.

4. Appropriate deductions will be made from the Secretarial-share portion for estimated administrative and programmatic costs. Programmatic costs in the case of Secretarial-share monies could consist of such items as SOAP, Federal Reclamation Program costs, Federal research costs, RAMP and Federal Cooperative Agreement costs for yet-unfinished projects, and emergency project costs.

5. All available remaining monies will be apportioned to each State/Tribe in proportion to the cost of reclaiming its Priority 1 and 2 projects listed in the inventory. At this time, and in recognition of the remaining 10-year life of the reclamation fee, this distribution, for Section 403 and Section 409 projects, will not be less than each State's/Tribe's estimated 50%-share of the Fund.

ATTACHMENT 1

RECLAMATION PRIORITIES

COAL-RELATED (SECTION 403):

1. Protection of public health, safety, general welfare, and property from extreme danger resulting from the adverse effects of past coal mining practices.

2. Protection of public health, safety, and general welfare from adverse effects of past coal mining practices which do not constitute an extreme danger.

3. Restoration of eligible lands and water and the environment previously degraded by adverse effects of past coal mining practices, including measures for the conservation and development for soil, water (excluding channelization), woodland, fish and wildlife, recreation resources, and agricultural productivity.

4. Research and demonstration projects relating to the development of surface coal mining reclamation and water quality control program methods and techniques.

5. Protection, repair, replacement, construction, or enhancement of public facilities such as utilities, roads, recreation, and conservation facilities adversely affected by past coal mining activity.

6. Development of publicly-owned land adversely affected by past coal mining practices, including land acquired under the acquisition procedures set forth in a State plan for recreation and historic purposes, conservation and reclamation purposes, and open space benefits.

NON-COAL RELATED (SECTION 409): [1,2]

1. Resolution of problems endangering life associated with past non-coal mining.

2. Resolution of problems constituting a hazard to the public health or safety associated with past non-coal mining.

3. Restoration of the environment degraded by the adverse effects of past non-coal mining.

COMMUNITY IMPACT ASSISTANCE (SECTION 402):[1,3]

1. Construction of public facilities in communities impacted by coal development.

[1]To be funded only from State-share monies.

[2]All non-coal projects must be requested by the Governor of State or head of governing body of tribe and be granted Secretarial approval.

[3]May be undertaken only if Governor of State or head of governing body of tribe certifies all coal and non-coal reclamation has been completed, there is a need for proposed construction and impact funds otherwise available are inadequate, and if the Secretary concurs in such certification and chooses to provide State/Tribal-share monies.

ATTACHMENT 2

Program Status	State Grant Funding	Federal Reclamation Projects	Emergency
Title V approved. Title IV approved.	To limit of State-share balance Possible Secretary-share supplement	OSM will not seek Federal project funds for these States except as noted in the policy statement.	Fed- as required. (State may undertake emergency program if State desires and is qualified.)
Title V approved. Title IV not approved but under development.	N/A (Secretary-share funding for program development is possible for these States.)	OSM will actively seek funds only for coal projects classified as Priority 1 and Priority 2 on Attachment 1.	Fed- as required. (State-N/A)
Title V approved. Title IV not approved and not being developed.	N/A	OSM will actively seek funds only for coal projects classified as Priority 1 and Priority 2 on Attachment 1.	Fed- as required. (State-N/A)
Title V not approved. Title IV not approved.	N/A (Secretary-share funding for program development is possible for these States.)	OSM will actively seek funds for coal projects classified as Priority 1 and Priority 2 on Attachment 1 for these States/Tribes. To the extent additional funds are available, OSM will use these States'/Tribes' proportionate share of those funds for lower priority projects.	Fed- as required. (State-N/A)
Title V approval withdrawn. Title IV approval withdrawn.	N/A	OSM will actively seek funds for coal projects classified as Priority 1 and Priority 2 on Attachment 1 if States/Tribes are working to regain Title IV/V approval. Projects will be executed as Federal contracts.	Fed- as required.
Title V approved. Title IV approval withdrawn.	N/A	OSM will actively seek funds for coal projects classified as Priority 1 and Priority 2 on Attachment 1 if State/Tribes are working to regain Title IV approval. Projects will be executed as Federal contracts.	Fed- as required.
Title V not possible. Title IV not possible (e.g., Indian Tribes absent necessary legislation).	N/A	OSM will actively seek funds for coal projects classified as Priorities 1, 2 and 3 on Attachment 1.	Fed- as required. (State-N/A)
Federal Lands in States without Title V approval.	N/A	OSM will actively seek funds for coal projects classified as Priorities 1, 2 and 3 on Attachment 1.	Fed- as required. (State-N/A)
Federal Lands in States with Title IV and V approval.	States are expected to mitigate AML problems on Federal Lands as part of States' overall AML program.	N/A	Fed- as required. (State may undertake emergency program if State desires and is qualified.)

ATTACHMENTS TO STATEMENT

Senator McCLURE. My understanding is that you have a couple of attachments that you want included in the record following your opening statement.

Mr. HARRIS. Yes, Mr. Chairman, we have a report to the House committee on the cost and savings of the reorganization of the Office of Surface Mining, and we also have the abandoned mine lands policy which has been generated within the agency over the past year.

Senator McCLURE. Those will be made a part of the record.

FEDERAL REGULATORY PROGRAMS

The Office of Surface Mining has made considerable progress in the past 2 years in assisting the States in the development of acceptable mining regulatory programs.

To date, some 24 States have achieved primacy. One, Alaska expects to gain primacy within the next 4 weeks and 11 others will have federally administered regulatory programs in place during the course of fiscal year 1984.

Which of these 11 will eventually achieve primacy and which will likely continue under a Federal program for some time to come?

Mr. HARRIS. The ones that do not produce any coal, sir, are likely to continue under a Federal program established in anticipation of possible exploration within those States.

All of the States that are actively mining coal today, with the exception of Georgia and the State of Washington, now have State regulatory programs approved—title V programs.

Senator McCLURE. Do you expect those two States to get State primacy, or do you expect them to continue under Federal program administration?

Mr. HARRIS. Both we and the State of Washington had anticipated that they would submit a State program prior to this time; however, they have found themselves with budgetary problems. Since there is some cost involved in the State's side of the program, they have indicated to us that they will hold off on the submission of that program.

Senator McCLURE. You don't expect Georgia to?

Mr. HARRIS. I do not expect Georgia to, no, sir. Georgia has minimal production at this time. Unless there's further development of coal there, I wouldn't anticipate their submitting a program.

Senator McCLURE. With the exception of Washington, you would expect the rest will remain under Federal administration?

Mr. HARRIS. That's correct, yes. Although Michigan and Rhode Island have received program development grants, we do not expect them to apply for approval in the near future. Also, Nevada has no commercial coal deposits and there is no need for a Federal program in that State.

TRIBAL REGULATORY PROGRAMS

Senator McCLURE. Because the Surface Mining Act allows for neither State regulation nor tribal regulation of Indian lands, OSM continues to regulate coal mining on these lands.

What is the status of your report to Congress regarding legislative options to allow Indian tribes to regulate their own lands?

Mr. HARRIS. This report and legislative suggestions were to have been sent to the Congress much earlier.

We will have a package ready to come to the Congress within a couple of months, and we hope that it will get some action in this session.

Senator McCLURE. Do you know now what the principal recommendations will be in that report?

Mr. HARRIS. Yes; we would hope to treat the tribes much as the States are treated: that they could at their election submit a tribal program which will parallel very closely the programs submitted by the States.

There have been some areas of concern such as jurisdiction of tribal courts. This raises a question about the ability of a citizen to sue an Indian tribe, for instance. These are the sorts of problems we are attempting to work out before we bring the package to the Congress.

ASSISTANCE TO TRIBES

Senator McCLURE. Regardless of the fact that OSM is responsible for the regulation of tribal lands, only three tribes—the Navajo, Crow, and Hopi have developed coal reserves and are thus regulated.

Is OSM either individually or with the BIA making any effort to encourage coal mining by other tribes?

Mr. HARRIS. The Office of Surface Mining, of course, is available to assist however we can. We have not, I think, been approached by any of the other tribes asking assistance to develop programs or to help them with any premining work.

Senator McCLURE. There are other tribes that have coal reserves or potential reserves, are there not?

Mr. HARRIS. Yes, there are.

Senator McCLURE. You've had no program to identify to them the opportunities or to urge them or to encourage them to get into that business?

Mr. HARRIS. No, sir.

Senator McCLURE. On page 12 of the justification, you indicate that State regulatory program grant funds will be "provided to Indian tribes to assist them in learning the functions and skills needed to develop and operate regulatory programs."

Are you only talking about those three aforementioned tribes?

Mr. HARRIS. We are only talking about those tribes at this time, sir. If other tribes get into coal development and coal exploration, then we will offer assistance to them.

Senator McCLURE. How much money is involved in that effort?

Mr. HARRIS. $550,000.

Senator McCLURE. Excuse me. Would you repeat that, please?

Mr. HARRIS. $550,000.

Senator McCLURE. That's grant money to them?

Mr. HARRIS. Yes, sir. It is actually a cooperative agreement funded under the State regulatory program grants activity.

RECLAMATION FEES COLLECTED ON INDIAN LANDS

Senator McCLURE. What is the amount of receipts to those tribes from the coal mining operations on their lands?

Mr. HARRIS. To the Navajo at this time, their entitlement through the end of fiscal year 1982 is $15,036,079. To the Hopi, $1,093,588. And to the Crow, $3,128,236.

That's one-half of what has been paid—the fees that have been paid on coals extracted from their lands, and will eventually be returned to the tribe as their 50 percent share.

Senator McCLURE. Have the tribes expressed any interest in taking over the administration of these programs?

Mr. HARRIS. Yes; there has been some interest and we've been working with the Council of Energy Resource Tribes and with the Bureau of Indian Affairs in an effort to offer them as much assistance as they need.

Senator McCLURE. Have they expressed an interest—sufficient interest to indicate they're willing to fund these efforts?

Mr. HARRIS. I believe that they will be; yes, sir.

Senator McCLURE. Senator Burdick, do you have questions you'd like to ask?

SCRANTON PROJECT, N. DAK.

Senator BURDICK. Yes, Mr. Chairman. I want to address my questions to Mr. Harris.

I'm told that in fiscal year 1983 North Dakota was slated to receive $4 million in abandoned mine reclamation funds; however, to date the State has received only $1.9 million. A significant portion of these funds were intended for the so-called Scranton project, considered a priority problem by the Department of the Interior since 1979.

Can you explain to the subcommittee what your intent is with regard to the AML funding for the remainder of this current fiscal year? And more specifically, how does OSM plan to assist with the funding of the Scranton project over what period of time?

Mr. HARRIS. Senator, I don't know how this misunderstanding came about. The members of the Public Service Commission from North Dakota were in my office about 2 weeks ago, and discussed with us their concerns about the Scranton project. It was a project that they apparently had gotten a commitment from the previous administration to fund out of discretionary funds.

After discussing the problem at length in my office, I pulled in a number of my staff people, and we sat down and worked out a program for funding this particular project.

I thought I made it clear to those representatives from North Dakota that we were going to fund the Scranton project at a level of $250,000 in fiscal year 1983. This much funding gets the program started.

They have a cooperative program going with a school which will be the contractor. This school teaches heavy equipment operation and the commission had suggested to us that the program will probably need to be stretched out over 3 years so they can handle the project.

At that time I thought they had a full understanding that we had agreed to regularly fund that program until it was completed. A few days ago, I received a letter from them and the letter said that if we intended to continue funding at a level of $250,000 it would take 7 years to get the program completed.

Senator BURDICK. When you say "from them," it's the public service commission?

FUNDING FOR SCRANTON PROJECT

Mr. HARRIS. Yes; and I called them yesterday after my staff had had time to prepare a letter in return to them. The response set out what I thought was the original agreement which we made in our office. They would get $250,000 in fiscal year 1983 out of discretionary funds, which does not count against their State side of the program, and next year we would fund the balance of the program, which would give them the moneys necessary to complete this project over 2 years. They anticipate it probably will take them 3 to 4 years to complete it.

So after talking to them yesterday, they seem completely satisfied with the funding that we have set up for them. That leaves the $1.7 million that's in the budget for fiscal year 1984 for additional AML projects intact. It won't be touched by completing this project.

I have a copy of the letter here if you would like a copy of it. I'll be glad to give it to you.

Senator BURDICK. You've heard from them since I've seen them, so you've got the more current information.

Mr. HARRIS. All right, sir.

Senator BURDICK. They appeared to be satisfied with that?

Mr. HARRIS. I think they are. I was really startled to get their letter, because I thought they were completely satisfied with the agreement that we'd made in our office. Apparently there was a misunderstanding.

Senator BURDICK. Now you're talking about the $250,000 from the discretionary fund?

Mr. HARRIS. Yes.

Senator BURDICK. Would that be in addition to their State share?

Mr. HARRIS. Yes; the additional funding to complete that project would also come out of the discretionary funds.

NORTH DAKOTA PROGRAM FUNDING

Senator BURDICK. We've given you about $7 million, you know.

Mr. HARRIS. And if they have need for more than is set out in the appropriation for 1984, we have always thus far, since I arrived here, funded to the level that the States were able to utilize the funds.

And both the Secretary and I have stated on many occasions that we want to continue that practice.

So if they run short, we will attempt to get them additional funds.

Senator BURDICK. Well, I'm glad to hear this, of course.

For the record, how much does North Dakota get from their State share in fiscal year 1984?

Mr. HARRIS. Fiscal year 1984, out of the State share we have budgeted at this time $1.7 million.

Senator BURDICK. One million seven?

Mr. HARRIS. Yes, sir.

AML INVENTORY

Senator BURDICK. When does OSM plan to begin using the inventory as a basis to allocate Federal discretionary funds and review State grant requests?

The questions are, will you give the States such as North Dakota whose inventories are not up to date the opportunity to update the existing information and provide new data prior to using inventory for State grant application reviews and allocation of Federal discretionary reclamation funds?

Mr. HARRIS. Yes, Senator, we have built a part of our AML policy around the inventory. We know there are problems because some of the States did not get all of the information into the inventory during the time that it was being put together.

To properly reflect the number of AML problems that States have, we're declaring an open season of some length so that the States can submit additional AML projects and problems. Then we can properly get them folded into this inventory so that it will reflect truthfully and factually the problems that are out there.

So they will have—if North Dakota's problems are or are not properly reflected, and I know they're not—a chance to add to the inventory.

NORTH DAKOTA FUNDING

Senator BURDICK. This is from the State share. As I understand it, North Dakota will be receiving $1.7 million from the State allocation and $250,000 from the discretionary funds.

Mr. HARRIS. $250,000 in 1983 and then the balance of the moneys for the Scranton project in 1984.

Senator BURDICK. Well, I always learned in the law business that when you're ahead, quit. [Laughter.]

Mr. HARRIS. That will amount to exactly $1.34 million in fiscal 1984 out of the Secretary's discretionary funds to complete the project.

Senator BURDICK. And you say this is satisfactory with the officials——

Mr. HARRIS. Yes, sir, now that we understand each other, I think they're very pleased with it.

Senator BURDICK. I thank you very much.

You did answer the question about permitting States to upgrade their national inventory?

Mr. HARRIS. Yes, sir.

Senator BURDICK. The answer was in the affirmative?

Mr. HARRIS. Yes, sir.

Senator BURDICK. Thank you.

Senator MCCLURE. Thank you, Senator Burdick. Senator Byrd?

WEST VIRGINIA AML GRANT APPLICATION

Senator BYRD. Thank you, Mr. Chairman. Mr. Harris, I wrote to you on March 4 concerning the West Virginia Department of Natural Resources' request for approval of $17.8 million in fiscal year 1983—abandoned mine land funds—and Mr. Steven Griles, the Deputy Director, responded to my letter stating that the West Virginia's AML funds would be approved by April 22 if the State's request was found to be administratively complete.

Is the State's request complete, and precisely when can we expect to hear that the funds have been approved?

Mr. HARRIS. Just one moment, sir. I have the information here.

The AML construction request was submitted on March 4 to our field office.

We sent comments to the field office on March 22. The grant application is complete, and we expect to have it approved by May 4.

Senator BYRD. By May 4.

Mr. HARRIS. That's correct.

Senator BYRD. All right.

PROJECT FUNDING

The funds are not distributed on a formula basis. Each State has to submit a list of proposed projects for approval.

Now, I suppose that the Office of Surface Mining funds the highest priority projects submitted by the States; is that correct?

Mr. HARRIS. Yes, that's correct, Senator. The act is fairly explicit in setting out the order in which the projects should be funded.

And we're attempting to follow that order, where it makes economic sense. In some cases, where lesser priorities occur in the same areas where you have high priorities, and we feel that the entire job can be done under one contract more economically than moving equipment in and out, then we handle it in that manner.

JOB CREATION ESTIMATES

Senator BYRD. The program is important to West Virginia not only from the standpoint of the environmental aspects, but also for the jobs it creates.

And I doubt if it creates all that many in the context of a State that has 24.4 percent unemployment.

What is your estimate of the number of jobs that would be created by the $17.8 million that has been requested by West Virginia?

Mr. HARRIS. Our research into that area indicates that for OSM abandoned mine land projects the direct employment amounts to 18 man-years for each $1 million expended through the grant program. We checked with the Department of Agriculture and their figures indicate 19 man-years of jobs created with each $1 million of expenditure.

I don't have any figures on how many secondary jobs this creates. Various Chambers of Commerce and other people expert in those areas can tell you, but I don't have those figures.

Senator BYRD. Are there large capital and equipment costs that are involved? Or do you use existing surface mining companies that have equipment and trained personnel, in some instances? Or at least have equipment?

Or do you use State road equipment, or——

Mr. HARRIS. The States put these projects out for bid, and we have reviewed the types of bidders that you normally find bidding and who are successful.

In very few cases, if any, have we found mine operators bidding on abandoned mine land projects. Normally, successful bidders are earth-moving contractors, construction-type people.

Senator BYRD. I'm advised that about 320 jobs would be created in West Virginia by using a most conservative estimate.

And I assume that that is not—that is not inclusive of the ancillary jobs that might also be created.

Is that a fair statement to make?

Mr. HARRIS. That's about what our figures would indicate.

S. 2977

Senator BYRD. Last year, I introduced a Coal Mining and Construction Job Stimulus Act, S. 2977, the purpose of which was to focus the attention of the Secretary of the Interior on the job-creating potential of the abandoned mine reclamation fund.

My bill funded additional jobs from the so-called Federal share of the AML fund, so that no new budget authority is required.

What plans does the Office of Surface Mining have to increase the use of the Federal share of the AML fund, and how can it best be targeted to provide jobs for unemployed persons?

Mr. HARRIS. We have increased our request on the Federal side for fiscal 1984, and our intention is to use these through the State program mechanism. We believe that the States know their priorities and needs better than the Federal Government does.

We added $60.8 million to the request for State reclamation grants from the Federal side of the AML fund.

GRANT APPROVAL TIME

Senator BYRD. Has your organization taken steps to expedite the expenditure of these funds and the subsequent creation of useful jobs?

Mr. HARRIS. Yes, sir. Back, I think it was last September, October, November, somewhere along there, I put out a directive to our grants people that I wanted to trim the turnaround time on administratively complete grant applications to 60 days or less.

The time for turnaround on grants up to that time had been about 140 days. We are succeeding in getting those grants turned around in 60 days or less at this point.

STATES' CAPABILITY TO USE AML FUNDS

Senator BYRD. I want to compliment you on that effort. Your fiscal year 1984 budget justification projects that $230 million in additional coal taxes, or coal fees, will be added to the abandoned mine reclamation fund next year.

That even with an appropriation of $218 million, the fund will grow to a record balance of $591 million by October 1, 1984.

Inasmuch as the balances in the fund represent the dedicated fees or taxes, if you will, that have been collected from coal production, are you requesting the full capability to use these reclamation funds in fiscal year 1984?

Mr. HARRIS. We were asked by the Congress some time ago to submit a study to determine what was the most effective method of getting this money out into the field.

The study showed without question that the State grant program was the best program to use. As a result, we have attempted to get to the States all of the moneys they can use.

Now, of course, this is a young program. When we came here, not $1 had been awarded by that program.

It has been expanded very rapidly and, as I said, we're attempting to get to the States all of the money that they can use in any fiscal year.

We feel that our appropriation requests are equal to that amount. However, on a number of occasions, when asked the question: "If this isn't enough, what action will you take?" The Secretary and I both stated unequivocally that we will ask for a supplemental appropriation to take care of whatever additional funds the States can use.

Senator BYRD. Thank you, Mr. Harris.

Mr. Chairman, I may have some additional questions which I'll submit for the record, if the subcommittee will so permit.

Senator MCCLURE. All the members will have that permission. Certainly, we'll welcome your questions, Senator Byrd.

Senator BYRD. Thank you.

Senator MCCLURE. Senator Huddleston?

STATES' AML CAPACITY

Senator HUDDLESTON. I'd like to continue along the line of questioning that Senator Byrd developed on the mine reclamation fund. Specifically, I would like to address the question of whether or not we are, in fact, using these moneys as expeditiously as we could and should, given the economic situation that prevails.

We've done a good deal of work on that. You'll remember that at one time last year we sought and got the committee of the Senate to approve a $200 million increase.

By the time we got through the House, the conference had dwindled somewhat. But it seems to me that here's a jobs program that is ready to go, already paid for, would not require another penny of taxes from the American people to be utilized to the fullest extent, and is not being used.

The question does recur, of course, whether or not the States are prepared to use it as fast as the money should be made available.

I notice in my own State, for instance, my understanding is that while they have requested $27 million, based on what they know they can spend, they've been advised that they're going to get $20 million.

That doesn't seem to me like it's utilizing the funds to the fullest extent that the State could use them to me, Mr. Harris.

Do you have any comment on that?

Mr. HARRIS. Yes; my principal comment would be that our justification was built around the requests that the States had submitted some time ago.

With the unemployment situation being what it is, and with the emphasis that has been placed at State level and in the Congress on more expeditious use of these funds, the States' estimates of what they will be able to use have increased in some cases.

It's coincidental that the two States that have probably made the largest increase in the amount of funds that they think they can use are West Virginia and Kentucky, both of whom are represented here today.

Senator HUDDLESTON. They also happen to be the two largest coal producing States in the United States——

Mr. HARRIS. Yes, sir.

Senator HUDDLESTON [continuing]. And they've contributed more to the fund than anybody else.

KENTUCKY AML GRANT APPLICATION

Mr. HARRIS. Right. Kentucky has asked for $27 million and we will approve a grant in the amount of $20 million.

If Kentucky can move that money and start to get it on the ground, then we will make available the additional moneys that they are requesting.

Senator HUDDLESTON. Well, why are you assuming that they can't move the money that they requested? It seems like they ought to have some understanding of what they could do.

They've got several thousand idle coal miners, and a tremendous amount of idle equipment.

Mr. HARRIS. Well, one of the reasons for that assumption, sir, is that Kentucky still has $14.3 million left from its 1982 award that is as yet unexpended.

And we have to base a part of our calculations on their past performance in using that money.

I explained to Senator Ford in a previous oversight hearing about the process for letting a contract. Kentucky is a case in point. For a bid to be let and approved at the State level, it has to clear three separate Cabinet-level agencies.

This slows down that bidding process a great deal. I think this is one of the things that has kept them from being able to act as fast in the AML program as they might.

If they indicate to us that they can use that money at a faster rate, we'll certainly get it to them.

Senator HUDDLESTON. I think, you know, you have to know that, just the normal accounting procedures, even though they might be more complex in Kentucky than elsewhere, would result in there being a certain amount of money in the pipeline all the time.

You can't think it's reasonable to expect them to have every penny expended at any given moment. The projects are in progress, and the money has been committed.

USE OF THE AML INVENTORY

Another question: To what extent are you utilizing the so-called national inventory that you've developed as compared to giving consideration to States for which the revenue was derived, in approving the various projects that are presented for the States?

Mr. HARRIS. Thus far, none of the grants have been based on the inventory. We have recently, over the past year, prepared this AML policy statement, which we have submitted for the record today, which reflects how we plan to use the abandoned mine lands inventory.

We believe that the State side of the program adequately addresses the geographical distribution of the funds. We believe, on the other hand, that there are States that do have serious problems which are not generating massive amounts of abandoned mine lands funds on the present production of coal.

Based on the inventory, the discretionary side of the fund will in most cases be used to address those problems that are not addressed by the State side of the program.

RECLAMATION GRANTS

Senator HUDDLESTON. Are you aware that at a meeting in St. Louis recently of State reclamation officials an informal poll was taken which indicated that they could use in the neighborhood of $325 million in 1984, in the reclamation program?

And that's about $200 million more than is being suggested.

Mr. HARRIS. Yes, sir. I've also taken polls of industrial people as to how many people they're going to add to their payrolls next year.

They're always very optimistic in those numbers. We're basing to some degree our expectations of what they will use and can use on their past performance. In almost every case in the past, there have been unspent moneys.

Senator HUDDLESTON. Yes; but as you pointed out yourself, this is a program that has just begun to start rolling.

And I don't think looking at the past can be the total judgment, because when we started looking last year to see what could reasonably be added, and reasonably be expected, we found that a lot of States weren't really prepared to tell us. They hadn't looked at it.

They began to look at it when they thought some money might be available, and they came up with some different figures.

Mr. HARRIS. Well, the best deal I think I can offer is what I have said before. And that is if they can expend the funds, and have approvable applications, we will have the funds available for them.

Senator HUDDLESTON. That's comforting, if we knew that was going to be the case. But I'm still a little bothered, Jim, by the accounting problem that we have with this particular fund, and others that may be similar to it. In that while it is money that is dedicated, has been collected for a specific purpose, can't be used for any other purpose.

As I understand, it's not drawing interest.

Mr. HARRIS. That's right.

Senator HUDDLESTON. Just sitting there. And the utilization of it is not one additional burden at all on the people of the country, because it's there and usable.

Mr. HARRIS. Well, sir, this is one thing that I have worked on. In fact, it's one of the things that I said during my confirmation. That this was one leg of the program that had not worked at all.

I thought that the program was only firing on one of its two cylinders at that time. This was an area in which I intended to give a great deal of effort. I think that moving the grant program from some $29 million appropriated in 1981 of which, as I remember, only $9.9 million was obligated, up to nearly $200 million by 1984, is a very rapid rise.

Now, whether that's what they can use it or not, I'm not that sure. But if they can, you have our pledge that we will meet that.

USE OF AML FUND

Senator HUDDLESTON. Now, the problem, one problem that I see is that whatever figure we use under the way we are operating now, it adds to the deficit, which is a matter of great concern to everybody in the Congress and to the administration.

Yet it's money already there. It's not going to require any additional taxes to pay.

And the question that occurs to me is whether or not we ought to try to set up some kind of revolving trust fund situation for this that would

not force the Budget Committee to have to make allowances, which would be credited or added to, really, the deficit of the Federal Government in order to extend these funds.

That could be very beneficial to us at a time when we're trying to create employment.

Mr. HARRIS. But Senator——

Senator HUDDLESTON. Yes?

Senator BYRD. Really, isn't that aspect of adding to the deficit, though, offset by the fact that with each 1 percent drop in unemployment, it spares the deficit of $25, $28, $30 billion?

Senator HUDDLESTON. No question about that, if it actually creates jobs. But it seems to me that the average man in the street could understand, "Look, we've got a big program here that we could spend that you've already paid for.

"We'd like to spend it, but if we do it, you're going to think we're big spenders; we're adding to the deficit. We'd like you to understand that we're not adding to the deficit.

"We're adding to the deficit, yes, the way the books are kept. But we're not adding to your tax liability, because you've already paid for it."

Mr. HARRIS. Well, Senator Byrd——

Senator HUDDLESTON. And the other thought I have on that, Mr. Harris, is if we're not going to spend it, we ought to quit collecting.

Because ultimately the consumer is paying for it.

Mr. HARRIS. Well, I think that as this program gets geared up, this will probably be the last appropriation request that is less than the total income to the fund.

And I would think by 1985, that you would be beginning to cut down at a fairly rapid rate——

Senator HUDDLESTON. Be spending at a faster rate than it's coming in?

Mr. HARRIS. Faster rate than it's coming in. Yes, sir.

And over the 15 years of the life of the program, I think that you'll see a rise up to a maximum level of activity, and then it will begin to dwindle off toward the end. This may be very healthy because these State regulatory authorities, of course, have to have people on payroll in order to handle these projects.

If they gear up for a really big project workload which is completed in a very short time, it's going to add some instability to their hiring situation.

That's the only negative thing I see. But I think that you're going to see a long slope on the way up, or rather a fast slope on the way up, and then over the period of the 15 years, it will begin to drop down toward the end.

I see the problem of unemployment out there today. I'm certainly not unaware of it, and have a real concern for it.

Senator HUDDLESTON. Well, I know that our subcommittee chairman is concerned about this budgetary quirk, also, and maybe with all of us working together, we can find some way to ease that pain.

Thank you, Mr. Chairman.

Senator McCLURE. Thank you, Senator. I am concerned about that question, and I continue to be perplexed.

First, let me say I commend you for the fact that you have built this program up very rapidly since you've been in office.

And I don't think we should let the occasion go by without noting exactly what you said earlier, that the dollar amounts dedicated have increased very rapidly.

But we still get reports from the States that they have the capability to do more.

And you indicated part of what you're looking at in particular with respect to Kentucky, was whether or not they've been able to expend all of the funds last year.

And you, I think, answered that if they were able to demonstrate that they could use more money this year, that there's more money there for them.

Have they been informed of that?

Mr. HARRIS. If they expend the funds that have been made available to them and can show us that they can expend additional funds in any budgetary year, any fiscal year, then we will make every effort to get them the additional funds.

One other thing that I might point out is that in these grant awards we have, I think, in every case but Kentucky and West Virginia, matched the amounts of money that the States requested. This may very well leave balances that can be transferred to Kentucky and West Virginia to completely satisfy their requirements without an additional appropriation.

AVAILABILITY OF AML FUNDS

Senator McCLURE. Well, if the money is sitting in a trust fund unused and Kentucky has requested $27 million, and you have authorized only $20 million, what happens if you authorize the full $27 million? Does it remain in the fund until they draw it, or is it actually dispersed to the States, then in their funds, until they expend it?

Mr. HARRIS. The funds are deposited in the AML account, but cannot be used until Congress appropriates them. OSM reviews grant applications and makes the annual awards, after which we ask Treasury to increase the State's appropriate letter of credit. The actual moneys remain in the Treasury until the State draws from the letter of credit.

Senator McCLURE. So even if you were to authorize the entire $27 million, it wouldn't change anything with respect to the spend out of the fund?

Mr. HARRIS. That's correct.

Senator McCLURE. Well, what's the harm then in authorizing the entire $27 million?

Mr. HARRIS. If we award all the money to the States which submit early applications, we might not have enough to cover all the rest of the States.

Senator McCLURE. There is not enough money in the fund?

Mr. HARRIS. I'm talking about the appropriation. Certainly, there is plenty of money in the AML fund.

Senator McCLURE. Well, then it becomes an appropriations request rather than the capability of the States, is that correct?

Mr. HARRIS. I'm sorry, sir, I didn't understand.

Senator McCLURE. It has a budgetary impact, because OMB scores it the moment you've authorized it all——

Mr. HARRIS. That's correct.

Senator McCLURE [continuing]. But it doesn't have any impact upon the fund, unless they spend it?

Mr. HARRIS. That's correct.

Senator McCLURE. So it has a budgetary impact, but not an impact upon the fund?

Mr. HARRIS. That's right.

Senator McCLURE. Then the real reason you hold back is not because you can't expend it, but because you would rather retain it for budgetary purposes?

Mr. HARRIS. That hasn't been our practice, sir. If you notice the one——

Senator McCLURE. But that's its effect, is it not, because, as a matter of fact, they could spend it during the balance of the year? You have said that if they can come in and show you they can spend it, you'll give it to them.

Mr. HARRIS. Yes, sir.

Senator McCLURE. You say it makes no difference to the fund whether it lies unexpended because you allocate it and they haven't spent it yet, or whether you haven't allocated it yet. The only difference between the two is its impact upon the unified budget.

Mr. HARRIS. That's correct.

Senator McCLURE. Then the reason for the holdback is a budgetary reason and not a program reason.

Mr. HARRIS. Well, it's not been a holdback, sir. We based this on what the States projected that they could use at the time that we were putting this appropriation request set together.

Senator McCLURE. Kentucky said $27 million, didn't they?

Mr. HARRIS. Not at that time, no. That has been upped since that time. And in the case of West Virginia——

Senator McCLURE. And we added $55 million to the overall program last year.

Mr. HARRIS. Their request has almost doubled since the original request was made.

Senator McCLURE. I think I can understand how OMB looks at it. I don't fault OMB for looking at it, but I agree with Senator Huddleston, that if the money can't be expended, we ought to repeal the fee.

Mr. HARRIS. Well, in the case of OMB, I have to say to their credit that we went over and sat down with them and made the same presentation that we did to the Secretary—almost exactly what you people are

saying—that this is money that has been paid in by the operators in the States, and we believe that we have an obligation to get out to States what they can use. And both the Secretary and OMB, I think, have looked kindly on our request, because this is one area that hasn't been cut in any great amount at all. There has been some added, I think, by the Congress along the way. But this is a program about which we feel very strongly just as you do.

PROJECT PRIORITIES

Senator McCLURE. Is there a great disagreement between OSM and the States as to what are priority No. 1, 2, and 3 projects?

Mr. HARRIS. I don't think so. I think that the States and OSM pretty much agree on what No. 1, 2 and 3 are, because the act is pretty explicit in its definition. There has been, however, in previous hearings sentiment expressed by Members of the Congress that we fund some threes and fours and on down the line. The problem with that is that I have the Inspector General's Office that says I am going too far already in expending funds on projects which are not priority No. 1 and 2. So I am caught between what the Congress says they would like to do now and the manner in which they wrote the act. So my hands are pretty well tied.

FUNDS SUBJECT TO APPROPRIATION

Senator McCLURE. If I understand correctly, the Federal share is discretionary. You can allocate that whenever you have it. It's the State's share that is not subject to discretionary distribution.

Mr. HARRIS. And they are both the subject of appropriation.

Senator McCLURE. That is correct. Since these funds are already available, shouldn't OSM have the ability to transfer the State's share to the States whenever they can be used rather than wait for an annual appropriation?

Mr. HARRIS. Well, sir, I don't know, as a bureau head, whether I am supposed to have an opinion or not on that. The Congress set it up the way it is. And if they want it changed, they are going to have to make that change.

Senator McCLURE. Well, would you recommend that change, or would you recommend against it?

Mr. HARRIS. We discussed at one time last year a proposal to—I don't know that we recommended it—automatically appropriate on an annual basis an amount equal to 50 percent of the fee collected within a State.

Senator McCLURE. Would that include those funds that are already accumulated there?

Mr. HARRIS. No; it did not. But this would assure that the fund would not continue to grow, at least on the State AML side.

Senator McCLURE. If I could turn to another subject for just a moment.

During the period April 1 through December 31, 1982, you indicated that just 27 citizen complaint inspections were conducted in primacy States. This is an average of three per month. During fiscal year 1984 you expect to conduct a total of 275 such Federal inspections in States with and without primacy.

If this figure is correct—27 citizen complaints in 1982 in primacy States, and 275 in both primacy and nonprimacy expected for 1984—does that indicate that nearly 90 percent of all citizen complaint inspections are in the very few States without primacy and with a relatively few number of mines?

Mr. HARRIS. No; that is not the indication there, sir.

Actually, the 1982 figure is based on actual citizen complaints in primacy States. In an effort to have available the inspection force necessary to followup on citizen complaints, I think it is advantageous that we overestimate rather than underestimate the number of citizen complaints that we may get in the next year. The 275 figure is the total of citizen complaint inspections in all States. It is based on the original estimate rather than on the 1982 actual.

Senator MCCLURE. Well, do you have a later figure than that 1982 figure of 27?

Mr. HARRIS. No, sir, I don't think we do.

Senator MCCLURE. How do you estimate from 27 to 275?

Mr. HARRIS. We estimated the 1984 before we had the 1982 actual. We didn't know how fast the citizen complaints were dropping as a result of our enforcement program.

Senator MCCLURE. Do you think that that 275 may be high?

Mr. HARRIS. Yes; in fact, historically, these numbers have been dropping very rapidly on an annual basis. I think that is due to the fact that the mine operators and the States are working within the law and the regulations as long as they have. Like a basketball team, as they have learned the rules, they abide by them and don't commit as many fouls as before.

HANDLING OF CITIZEN COMPLAINTS

Senator MCCLURE. You've reported that upon receipt of a citizen complaint, OSM routinely refers them to the appropriate State agency in those States with primacy.

Does OSM, then, in every case, give the State at least 10 days to take appropriate action, before it gets involved?

Mr. HARRIS. Yes; in every case other than when there is a situation in which there might be danger to human life or property, in which case we act immediately.

Senator MCCLURE. Immediately? Even though there is primacy?

Mr. HARRIS. Yes.

COORDINATION OF CITIZEN COMPLAINTS WITH STATES

Senator McCLURE. How do you coordinate with the States where there is primacy in such an instance?

Mr. HARRIS. Well, in these cases our field offices are in almost constant contact with the State regulatory authority in the States that do have primacy. They are working very closely with States out there in the field, and we've found that our method of reporting to States is working out very well. In most States they are taking these 10-day notices very seriously and acting upon them in an expeditious manner.

Senator McCLURE. Is it known in every case who the complainant is?

Mr. HARRIS. I think that a person can make an anonymous citizen complaint. They all are, in fact.

CONFIDENTIALITY OF CITIZEN COMPLAINTS

Senator McCLURE. Are all anonymous?

Mr. HARRIS. We protect the confidentiality of who has made the complaint if requested to do so.

Senator McCLURE. Oh, that's different.

Mr. HARRIS. Yes.

Senator McCLURE. Protecting the confidentiality is different than being anonymous.

Mr. HARRIS. I'm sorry. There is a difference. In every case where confidentiality is requested, their identity is not made known to the mine operator or whomever we're reporting the complaint to.

Senator McCLURE. You maintain confidentiality of the complaints.

Mr. HARRIS. Yes; right.

Senator McCLURE. Is that a requirement, when you turn the complaint over to a State with primacy?

Mr. HARRIS. When a person wants to maintain his confidentiality, his name is not referred to the State. We, however, encourage them to followup by making the same complaint to the State. In many cases, the citizen actually wants to accompany the inspector.

Senator McCLURE. How often does that happen?

Mr. HARRIS. It happens fairly frequently. I can't give you numbers on it, but they want to go around and make sure that the inspector sees what they've seen. That's, of course, provided for in the act, and we certainly encourage it.

Senator McCLURE. Could you provide for the record how many of the citizen complaints have remained anonymous, how many were anonymous complaints without name, that you did investigate?

Mr. HARRIS. I think we can do that, sir.

Senator McCLURE. And how many complained to you, that you then invited them to make the same complaint to the State, how many of them actually did make the complaint to the State also, and of those, how many of the complainants accompanied a Federal inspector or a State inspector, when the inspection was conducted?

Mr. HARRIS. Yes; we will put those figures together.

Senator McCLURE. Thank you.
[The information follows:]

HANDLING OF CITIZEN COMPLAINTS APRIL 1, 1982 TO MARCH 31, 1983

State	Date of primacy	Total number of citizen complaints	Number of anonymous complaints[1]	Number referred to States confidentially[2]	Number of followup inspections with complainant[3]
Alabama	5/20/82	11	0	0	0
Iowa	1/21/81	1	0	0	0
Kentucky	5/18/82	28	1	1	2
Kansas	1/21/81	1	0	0	0
Missouri	11/21/80	1	0	0	0
Montana	4/1/80	1	1	1	0
New Mexico	12/31/80	1	0	0	0
Ohio	8/10/82	9	1	0	7
Oklahoma	1/19/81	14	2	2	0
Pennsylvania	7/30/82	7	0	0	1
Tennessee	8/10/82	7	2	1	0
Virginia	12/15/81	8	4	4	2
West Virginia	1/21/81	4	0	0	0
Wyoming	11/26/80	1	1	1	0
Total		94	12	10	12

[1] Complainant not identified to OSM.
[2] Complainant not identified to State by OSM.
[3] Complainant accompanied Federal or State inspectors.

1983 PAY COSTS ABSORPTION

Senator McCLURE. When the general administration accounts for regulation and technology and abandoned mine reclamation are added together, the figures for the 1983 pay increase indicate you plan to absorb $453,000 and will request a supplemental of just $408,000.

Why aren't you absorbing just 50 percent like most other agencies?

Mr. HARRIS. Actually we are absorbing 8 percent in the regulation and technology account and 100 percent in the AML account. The total absorbed is 53 percent.

Senator McCLURE. Well, you've indicated that $418,000 of the $453,000 you plan to absorb is taken from the abandoned mine reclamation fund account rather than proportionally equal amounts taken from each account.

Why did you make that decision?

Mr. HARRIS. We have the benefit of recovering unused funds in the AML account. This allows us to absorb far more here than in the regulation and technology account.

Senator McCLURE. I will seek a little more information from you on that, because just from the figures that I have, it looks to me like there is an imbalance between the allocation of those absorption figures. I'd like to have a little further justification.

Mr. HARRIS. I'm the first to admit, sir, that when we get to that kind of questioning on the budget, that I am not that thoroughly schooled on it at this point.

Senator McCLURE. We'll work with you and see if we can get an answer so I can understand why it is.

ADMINISTRATIVE MOTOR VEHICLES

In the bill language proposed for fiscal year 1984 for the two OSM accounts, you're asking for 22 new motor vehicles, in addition to those you already have on hand, and in addition to the 18 you are requesting as replacement vehicles.

Why do you need so many new cars?

Mr. HARRIS. I'd ask Mr. Culp to answer that, sir.

Mr. CULP. Mr. Chairman, they're really all replacements. We have a situation where we have vehicles that don't require bill language. For example, we have a lot of trucks and utility vehicles, mainly four-wheel drive vehicles. With the change in the role of the agency to more of an oversight requirement, we need more of the kinds of vehicles, such as sedans, that require language. So that is the reason that we are asking for some sedans that are not replacements, but also do not represent increases in our total fleet.

Senator McCLURE. You don't have any more people, but you are giving them different kinds of vehicles?

Mr. CULP. We're giving them different kinds of vehicles at the present time.

Senator McCLURE. Would you, for the record, please provide the guidelines that you use for the type of vehicle that you select, and also to determine who, within the agency, is entitled to the use of a vehicle on either a full-time or a part-time basis.

Mr. CULP. We certainly will.

[The information follows:]

OSM's MOTOR VEHICLE MANAGEMENT POLICY

The selection of different vehicle types is necessary due to the primary purpose served by each vehicle. For example, inspectors and reclamation personnel require vehicles to visit mine sites on a regular basis. These vehicles, therefore, must be special purpose off-road vehicles. Fee compliance officers and State program officers, on the other hand, visit State and coal company offices and, therefore, only require regular motor vehicles. GSA determines make and model based upon mileage standards and unit costs.

OSM's policy on vehicular use is set forth in OSM Directive ADS-7 and is based on the following: 1. the regular user is a Government employee with a valid State driver's license and a Government motor vehicle operator's identification card; 2. the use is consistent with the employee's duties; and 3. recognition that certain positions (inspectors and fee compliance officers) require essentially full-time assignment of a vehicle, and that other employees' requirements are most efficiently met by a small number (two to three) of general purpose vehicles at each location.

PROGRAM INCOME FROM COOPERATIVE AGREEMENTS

Senator McCLURE. OSM decided last year that civil penalties resulting from enforcement by the States on Federal lands would be considered program income. As program income, any amount collected exceeding the State's share of program support is deducted from the

Federal share of the grant. Thus, a vigorous enforcement and assessment program penalizes the State by reducing Federal funds. An example of this has occurred in Utah, whose penalty this year will be over $78,000 and may double next year. Such a decision by OSM is in conflict with legislative history which clearly separated financial support for the regulatory program from permit fees and penalties.

Further, such a ruling extends the arm of the Federal Government to the disposition of State revenues. The authority to collect penalties here does not, I believe, come from Federal law.

Do you agree that this decision can, in fact, serve as a disincentive for the States to collect penalties?

Mr. HARRIS. This is an area that we are going to have to reevaluate, due to the fact that we have two conflicting opinions. The opinion of the Solicitor is that these penalties may become a property of the State that collects them. The Inspector General, on the other hand, says that that is not the case, and that they should be deducted from the cooperative agreement funding for those States that have cooperative agreements.

So for the time being, we are having this held in a separate account by the States as they collect it, until the final judgment is made. I am caught in the middle of two conflicting decisions at this point.

Senator MCCLURE. Well, I realize that the Solicitor directs you what to do, and the Inspector threatens you to do what you are supposed to do.

Mr. HARRIS. Yes; it happens often, sir.

Senator MCCLURE. And that's one of the reasons we set up two offices, I guess. Occasionally, you get caught in a crossfire.

Would you provide to the committee, both opinions?

Mr. HARRIS. Yes; we will, sir.

Senator MCCLURE. Thank you.

[The information follows:]

NOV 23 1982

Memorandum

To: Assistant Director, Program Operations and Inspection
Office of Surface Mining Reclamation and Enforcement

From: Chief, Contract & Grant Operations

Subject: Program Income

This memorandum is in response to your September 7, 1982 memorandum requesting our opinion on OSM's proposed procedures for treatment of income received by State regulatory authorities from grant supported activities.

Your memorandum discusses OSM's proposed treatment of income which the States receive from coal operators for (1) payments into State-controlled bonding pools, (2) mining permit fees, and (3) civil penalties assessed by the States for mining and reclamation violations. In each instance, the income is generated through the States' regulatory enforcement programs which are funded, in part, under OSM grants.

State - Controlled Bonding Pools

OSM is proposing to classify coal operator payments into State-controlled bonding pools as non-program income. According to OSM's memorandum, the States will use this income to finance reclamation activities at sites which operators have abandoned prior to completing the reclamation work.

Although OSM considers these-revenues to be non-program income, the proposed use of these revenues is consistent with OMB Circular A-102, Attachment E provisions for the treatment of program income. Since we believe that these bond pool payments could be considered program income under the definition in Attachment E, we suggest that the grant agreements stipulate that the revenues will be used for reclamation or other program-related activities.

Permit Fees

We agree with OSM's proposed treatment of permit fees as program income. However, we disagree with OSM's proposed exception that permit fees, or other revenues such as civil penalties which are generated by OSM funded State activities, should not be considered program income if the revenues are specifically earmarked by State law for purposes other than supporting the activities of the State regulatory agency.

OSM's position is based on paragraph 6 of Attachment E, which requires grantees to "...record the receipt and expenditure of revenues as a part of grant project transactions when such revenues are specificly earmarked for a grant project in accordance with grant agreements." OSM's interpretation of this provision is that the revenue should not be considered program income if State law specificly earmarks the revenue for non-grant project work.

We disagree with OSM's intepretation of the Attachment E provision. We interpret this provision as requiring the grantee to record the receipt of income in specific project accounts in those situations where OSM and the grantee have agreed to earmark specific revenues for specific projects. This provision does not relieve the grantee from the requirement to account for all other program income which has not been identified in the grant agreement as being earmarked for specifc projects.

The criteria for determining whether certain revenues should be classified as program income is whether the revenues were generated by grant supported

activities. State laws which earmark those revenues for specific purposes are not relevant to that determination.

Civil Penalties

We also disagree with OSM's proposed treatment of fines (civil penalties) assessed on coal operators as non-program income. OSM contends that classifying fines as program income would create "...an appearance of conflict of interest, that is, an agency imposing fines simply to obtain revenue to operate its program."

The conflict of interest argument is weakened by the fact that the State's use of revenues from civil penalties to fund non-OSM related programs could also create the appearance that fines are being assessed to operate those other programs. The conflict of interest argument appears to be even stronger in this situation because the State would not have to use the revenues to offset costs eligible for Federal reimbursement,and therefore would receive full use of the revenues.

Again, it is our interpretation that revenues from fines fall under the definition of program income contained in Attachment E, since the fines are generated from grant supported activities.

Considering the legal elements involved in some of these issues, we suggest that you refer this matter to the Associate Solicitor-Division of Surface Mining before finalizing your policy on program income.

Andrew H. Payne

MEMORANDUM

TO: Don Willen, Chief
Division of Grants Management
Office of Surface Mining

FROM: Edward H. Bonekemper, III, Assistant Solicitor
Governmental Relations Branch
Division of Surface Mining

SUBJECT: Treatment of Program Income under Grants for the Administration and Enforcement of State Regulatory Programs

By memorandum dated December 15, 1982, you referred three issues concerning the treatment of program income on which the Chief for Contract and Grant Operations of the Office of Inspector General (OIG) had stated his views in a memorandum dated November 23, 1982. While stating his views on the three issues, the Chief nevertheless suggested that they be referred to this Division for an expression of our views before the Office of Surface Mining (OSM) settled on a policy resolution of the matter. We conclude that you have a great deal more discretion than indicated in the OIG Chief's memorandum.

Background

OMB Circular A-102, Attachment E (January 1981) sets the standard for "program income." The term is defined in the circular.

> Program income means gross income earned by the grantee from grant-supported activities. Such earnings exclude interest earned on advances and may include, but will not be limited to, income from service fees, sale of commodities, usage or rental fees, royalties on patents and copyrights. Attachment E, Cir. A-102, § 1. (Emphasis added.)

By use of the term "may" in indicating what can be considered program income we believe that the Office of Management and Budget intended to confer some discretion on executive agencies to determine in specific instances whether certain funds were to be so characterized. Once funds are determined to be program income which are not from the sale of property or generated from copyrights or patents, Section 5 of Attachment E provides three alternative methods of treating the funds. That income is to be retained by the grantee and

> in accordance with the grant agreement, shall be:
>
> a. Added to funds committed to the project by the grantor and grantee and be used to further eligible program objectives.
>
> b. Used to finance the non-Federal share of the project when approved by the Federal Sponsoring Agency; or
>
> c. Deducted from the total project costs for the purpose of determining the net costs on which the Federal share of costs will be based. (Emphasis added.)

By use of the "or" at the end of subsection "b", OMB also intended the grantor agency to have some discretion as to the method of treating the income. Subsection "b" also indicates by its very terms that Federal agencies can decide whether to consider program income as income to the State so that it is not considered in determining the Federal share of a matching grant.

Section 6 of Attachment E requires a grantee to record the receipt and expenditure of revenues attributable to the program or project. However, this requirement is only imposed when revenues are earmarked for a grant project under the grant agreement.

The Director of OSM adopted a policy in January 1980 for the treatment of program income. It was that any income received by a State for the administration and enforcement of a regulatory program would be used for financing the non-Federal share of the program costs.1/

Thus, program income would generally not be considered in reducing the Federal share of the grant. However, the policy adopted also provided that a State would not be allowed to earn a "profit" as the result of program income, i.e., where the income to the State exceeded its matching share the Federal share would be reduced according to the excess, or profit, over the State's share. This is nothing more than an

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1/ Under Section 705(a) of the Surface Mining Control and Reclamation Act, 30 U.S.C. § 1295(a), States may receive 80 percent of the program costs incurred in the first year, 60 percent in the second year and 50 percent each year thereafter.

election to use Section 5(b) of Attachment E up to the State's matching share, and for the income above that to use Section 5(c). Nevertheless, the policy seems not to have been formally adopted through amendments to the grants regulations, 30 CFR Pts. 725 (interim program) and 735 (permanent program), nor in any grant agreements that we have reviewed.

A problem came to light in some States where what would otherwise have been considered program income was earmarked by State law for other purposes. This prompted a memorandum to the Office of the Inspector General raising three issues. See memorandum dated September 7, 1982 from the Assistant Director, Program Operation and Inspection, OSM, to the Regional Audit Manager, Office of Inspector General. In cases where State law committed program income, such as permit fees, to other purposes, it was OSM's view, as stated in the memorandum, that such funds should not be considered program income. Where funds were generated from fines levied under a program, it was stated that those monies should not be considered program income because to do so would give the appearance of a conflict of interest: States could appear to be assessing fines simply to raise money for the support of the program. And where a State had established an alternative reclamation bonding system that created a fund which the State could tap if bond amounts were insufficient to cover the cost of defaulted reclamation, it was similarly OSM's view that such funds should not be considered as program income.

The OIG Chief of Contract and Grant Operations in the November 23, 1982 response supported OSM's view on the latter issue, but disagreed on the treatment of the other two. Permit fees, according to the Chief, were program income and even if committed by State law to another purpose could not be disregarded as such. The Chief's view of the Attachment E provision quoted above is that a grantee must account for all program income which they have not been specifically relieved of recording under the agreement. Thus, in the Chief's view if the grant agreement is silent on the treatment of sources of income, all revenues are to be considered program income. On the question of treatment of monetary penalties and fines, the Chief was also of the view that such funds are program income.

Discussion

Turning first to the issue of alternative bonding systems which establish funds to cover reclamation costs over that which are available under a bond, we concur with the view of the OIG Chief that such monies are not to be treated as program income. He suggested in his memorandum that the grant agreement provide that such funds be used for reclamation or other program related activities. It is not necessary to include such a stipulation in the grant agreement because in establishing such an alternative bonding system in a manner no less effective than the OSM regulations, the State must ensure that the monies in such a fund are available only for reclamation purposes.

An alternative bonding scheme which creates a fund by the imposition of a tax on the production of coal by participants in the fund is an activity above and beyond the ordinary program. It is an activity which the State chooses to undertake and is not an essential, or even necessary, part of a regulatory program. The alternative bonding schemes which States such as West Virginia, Ohio and Virginia have adopted

are ones in which operators pay into a fund based on the number of tons of coal produced and are allowed to post reclamation bonds at a considerably reduced rate per acre. A significant change that the Surface Mining Control and Reclamation Act (SMCRA or the Act), 30 U.S.C. § 1201 et seq., wrought was that the amount of reclamation bond for each acre disturbed has to be commensurate with the actual cost to reclaim that land. See Section 509(a) of the Act, 30 U.S.C. § 1259(a). Previously, States authorized bonding in arbitrary amounts on the assumption that an operator would not default on all of his reclamation responsibility. The funds now created as an alternative bonding system allow participants to reduce bonding amounts to what was previously posted. Because these alternative systems provide the same degree of availability of funds as surety or collateral bonds, they have been approved in State programs based on the standard set in Section 509(c) of the Act, 30 U.S.C. § 1259(c), that they achieve the objectives and purposes of the bonding program. In order to achieve the objectives and purposes of the bonding program, funds must be available exclusively for reclamation purposes. The purpose of the bonding program is to make funds available to the regulatory authority, should the operator default on his obligation, in order to complete the required reclamation. The more stringent standard set for bond amounts in Section 509(a) of the Act was to avoid having the State, through the regulatory authority, utilize its own funds to complete reclamation. Viewed in this manner, apart from the administrative costs involved in operating a fund, such a system is not a project cost. According to Section 5(c) of Attachment E, program income is to be deducted from project costs in order to determine the net costs on which the Federal share is based. In a strict sense, a fee which is remitted to a reclamation fund is not program income to the State. However, if interest were to be earned on monies in a reclamation fund and not added to the fund, then that could be considered program income and dealt with accordingly.

With respect to permit fees and penalties or fines assessed by States, we reach a different result than the OIG Chief. Although the nature of the income is different for fees and for fines, we view their treatment insofar as program income is concerned to be the same. In our view, OSM has discretion whether or not to treat such funds as program income. However, other Federal agencies have chosen not to consider such funds as program income. The Chief suggests in his memorandum that once funds meet the definition of program income any discretion is removed from the agency in treating the funds. As we pointed out above, Subsections 5(a)-(c) indicate that not only does an agency have discretion as to how to treat program income, it has discretion as to whether to treat it as such in the first instance.

The Department of Health and Human Services (HHS) does not consider revenues raised by a government grantee pursuant to its governmental powers as program income. 45 CFR § 74.41(c). Thus, taxes, special assessments, levies, and fines are not generally considered program income. However, if the terms of the grant agreement so provide, the receipt and expenditure of such revenues can be recorded as a part of the grant when the funds, as specified in Section 6 of Attachment E, are earmarked for the project. Id.

The Department of Education has the same exceptions for program income as Health and Human Services (see 34 CFR § 74.42), undoubtedly because it and HHS were was once a part of the former Department of Health, Education and Welfare.

The Department of Labor in its grants to States to carry out the Occupational Health and Safety Act of 1970, 29 U.S.C. § 651 et seq., excepts from consideration of program income all revenues received from fines and penalties. 29 CFR § 1951.43. Otherwise funds derived from licenses, fees for inspections and other levies are program income. Id.

The Environmental Protection Agency (EPA) has the following provision in its grants regulations:

> Revenue generated under the governing power of a State or local government which may have been generated without grant support is not considered grant related income. Such revenues shall include fines or penalties levied under judicial or penal power and used as a means to enforce laws; license or permit fees for the purpose of regulations, special assessments to abate nuisances and public irritations, inspection fees and taxes. 40 CFR § 30.620(c).2/

As it explained in promulgating this rule, EPA established a basic distinction between revenues generated as a result of the grant and those which were the result of the governmental powers of the grantee which could have been generated without the grant. 40 Fed. Reg. 20232 (May 8, 1975).

The permit fees and fines assessed surface mine operators by States are no different than those assessed under EPA grant-supported programs. Each State which has assumed primary regulatory responsibility for surface coal mining regulated coal mining prior to the Act. Most of those States, if not all, required a permit for which a fee would be charged. Although many States' means of enforcement was the revocation of the permit, some States did provide for penalties. Thus, it cannot be concluded that the revenue derived from permit fees and penalties is solely attributable to the grant-supported activity. While a permit fee under a regulatory program must be charged, SMCRA § 507(a), it is left to the State to determine the amount of the fee, as long as it does not exceed the actual cost of reviewing, administering and enforcing the permit. Likewise, the discretion to impose penalties and assess fines is left to the States, as long as their programs have provisions which are no less stringent than those in the Federal Act. SMCRA §§ 518(i) and 521(i) and and 521(d). See also In re: .Permanent Surface Mining Regulation Litigation, 14 ERC 1084, at 1089-90 (U.S.D.C. D.C. February 26, 1980).

Decisions of the Comptroller General dealing with program income generally involve the interpretation of grant agreements. See, e.g., B-186284, June 23, 1977; B-183442, October 21, 1975, and B-191420, July 20, 1980. Thus, unlike the opinion of the OIG Chief, a grant agreement should provide for the treatment of that which is to be considered program income, particularly in light of the fact that OSM does not have any regulations, like the other Federal agencies cited above, dealing with the matter.

2/ We were informally advised that EPA is considering changing its treatment of income derived from the exercise of a grantee's governmental powers.

Therefore, if OSM is to continue the Director's 1980 policies on program income, we suggest the addition of a provision in each grant agreement which states that, unless otherwise included, income from permit fees and fines and penalties is not to be treated as program income unless it exceeds the State's matching share. In addition, you may wish to amend the grant regulations to make the policy a more permanent one. We would be pleased to work with you in drafting agreement or regulations language, or both.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you, gentlemen, for your testimony today. There will be some further questions which will be submitted to you for the record for your response in writing.

Mr. HARRIS. Thank you very much, Mr. Chairman.

Senator McCLURE. Thank you very much. We appreciate your testimony.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Virginia State Program

Question: Because certain aspects of Virginia's regulatory program were not acceptable under the Surface Mining Act, Congress in Fiscal Year 1983 provided emergency funds for the temporary assignment of nine Federal inspectors in Virginia until the State resolves its problems. What progress has been made in this regard? Did Virginia's legislature resolve this problem during its recent session? Are there any other States where quirks in State law may cause similar problems?

Answer: The 1983 Virginia General Assembly amended the Code of Virginia to resolve the problem. The legislative amendment to Section 45.1-234 of the Virginia surface mining law subjects interim program operations to the law's penalty and enforcement provisions and permanent program regulations. It was signed by Governor Robb on March 14, 1983, and submitted to OSM as a State program amendment on March 22, 1983. OSM is completing action to modify the approved State program and expects to publish notice in the Federal Register during the week of April 18, 1983.

OSM is not aware of similar problems in any other State's law. However, if any such problems do emerge in OSM's continuing oversight and evaluation of State programs, OSM will take the necessary actions to resolve them.

Small Operator Assistance Program

Question: Also under Program Operations and Inspection, you have proposed to use carryover funds totaling $6,300,000 for the Small Operator Assistance Program. Although page 20 of the justification indicates the expected workload for 1984 will be similar to that of 1983, the $6.3 million is a reduction of $2.3 million from the projected 1983 level. How can you do the same amount of work with 27 percent less funds? Isn't it likely you will have to either cut back on the services rendered under the SOAP program, or request a reprogramming or supplemental late in Fiscal Year 1984?

Answer: The reference on page 20 is to administrative costs for the program, not to workload. While we do expect a reduction in workload, program administrative costs are not expected to decrease in 1984. It should also be noted that all SOAP administrative costs are charged to the Regulation and Technology account; the $6.3 million carryover for SOAP grants is part of the Abandoned Mine Reclamation Fund account.

Based on program data available through November 1982, we projected that the carryover funds would be sufficient to support the program through Fiscal Year 1984. This conclusion is supported by even more current data which show that small operator participation in the program was less than estimated. Our projections for Fiscal Years 1983 and 1984 have been reduced to reflect these findings. Consequently, it is highly unlikely that program services will have to be reduced or that a supplemental appropriation will be needed during Fiscal Year 1984.

Evaluation Reports

Question: Turning to the Technical Services and Research programs, OSM conducts annual oversight reviews of primacy States' regulatory programs. To what degree do citizen complaints, previous inspection reports, and other such outside input affect OSM's determination of the specific areas to be emphasized in the review? Do the States have any part in the determination of the areas looked at in the review? Do the States have an opportunity to comment and effect changes in the report before it is sent to the Director?

Answer: OSM considers all such inputs in defining the scope of its oversight evaluations. Although an annual evaluation report is issued for each State, performance evaluation is a continuing process. As problems are identified, OSM notifies the State of corrective actions that are required. As

citizen complaints or other issues are raised, OSM focuses its review on these areas of concern.

In determining the scope of program review, OSM solicited States' input in developing its March 5, 1982, policy document entitled "Plans and Procedures for the Evaluation of States' Permanent Programs." With respect to the determination of which areas of a State's program are evaluated by OSM at any given time, the State is not consulted; any aspect of a State's program is subject to review by OSM at any time. If OSM's oversight review indicates the existence of deficiencies in the State's program, then OSM works with the State to develop solutions.

The annual evaluation report is a summary of all interactions between OSM and the State during the year. Therefore, a State should have the knowledge of all subject areas addressed in the annual report. However, before final compilation of the annual report, OSM will provide the State with a draft to ensure that the State is aware of all concerns raised in the report. In addition, the State is asked to verify the accuracy of factual data. This is done in the interest of improving communications and gives each State an opportunity to provide additional data.

Regulatory Review

Question: With regard to Regulations Review and Revision, you indicate that by the end of Fiscal Year 1982, some 61 percent of your regulations had been reviewed and, where necessary, revised. Where does OSM now stand in this process of reviewing and revising regulations?

Answer: OSM is now in the final phase of reviewing and revising regulations promulgated under the Surface Mining Control and Reclamation Act of 1977. To date approximately 75% of the proposed revisions have been completed. We anticipate that all of the revisions included in the present effort will be published in the Federal Register and in effect by the end of Fiscal Year 1983.

Research

Question: You report on page 34 of the justification that OSM focuses its attention on resolving only those technical problems which can be addressed through short-term, quick turnaround research investigations. More complex problems are apparently directed to other Federal agencies. Can you cite some examples of the types of problems you do solve and those you don't?

Answer: Short-term, quick turnaround research investigations are those which can be completed in up to 18 months. OSM is currently working on or has planned to work on such projects as alternatives to sedimentation ponds for water quality improvement; resolving instability problems associated with refuse and coal waste piles; a backfilling and grading design manual; and an inventory of data resources relevant to the preparation of permit applications. An example of a past project is publication of a backfilling and grading handbook to evaluate state-of-the-art techniques for post-mining land use needs. These techniques can be used by the States or surface coal mine operators according to the mining methods and the diversity of the terrain affected. Another completed project resulted in publication of a sediment pond design manual that provided alternatives for practical reclamation on surface coal mine sites, and assisted us in regulation development and litigation support. This manual is an aid to States and surface coal mine operators developing reclamation plans. Examples of longer-term studies conducted either jointly with other Federal agencies or directed to them by OSM are subsidence control, prediction and mitigation by the Bureau of Mines; contamination of ground water from coal waste piles with EPA; and high altitude and infra-red photography methods for identifying and quantifying mine land reclamation activities with EPA and USGS.

Question: Are there specific criteria applied to problems to determine whether or not you will do the necessary research?

Answer: Some mining problems such as investigation of subsidence and methods of control have been under study by the Bureau of Mines for many years.

It is more practical for the Bureau of Mines to continue to conduct this research with guidance from OSM regarding the specific needs relevant to OSM. Revegetation studies are generally long-term and are also performed for OSM by other agencies. When long-term projects are suggested, a team of reviewers evaluates them and establishes priorities for determining those which other agencies should be requested to do.

Future projects will be requested by technical staff from the Washington Office, Technical Centers, and Field Offices according to the subject of concern. A review team normally consisting of technical personnel from Headquarters, Technical Centers and the Bureau of Mines will evaluate the projects in accordance with established criteria. The list of projects will then be submitted for approval to the Assistant Director, Technical Services and Research. From this list, selections for studies to be conducted will be made within budgetary constraints.

Question: Do other agencies automatically take on the research or does it have to go through yet another review and budget cycle before it will be picked up?

Answer: There are two types of projects in which OSM works with other agencies. The first type involves OSM coordination with the other agency, who funds and conducts the entire study. The second type is funded and conducted jointly. In the former, no budget actions are undertaken by OSM, but the funding agency does conduct its own budget review of proposed projects. In the latter, the agencies handle their own budget requirements and together work out the details of coordination. Before approving either type of project, discussions are held between the agencies to assure that each is getting the desired research product. Slight program modifications are more easily attained at this stage and produce a more satisfactory product.

OSM's research program is closely coordinated with other Federal agencies, particularly the Bureau of Mines (BOM) and the Environmental Protection Agency (EPA), as well as the States and the coal industry. This coordination is beneficial since no single agency has the expertise or personnel to address some of the more complex interdisciplinary problems encountered.

In the case of BOM, a joint review/rating process of proposed projects was established to coordinate the priority needs of both agencies. This procedure is most often done annually but can be done more frequently to meet an immediate priority. Most new project proposals, however, will not be funded until a subsequent budget cycle.

Question: How much of what you feel is necessary research is not conducted because of budget considerations?

Answer: As mentioned before, not every project is funded. Before a project is selected, it must be reviewed and its priority evaluated by several levels of management. Thus, budgetary limitations are not the only reason for not funding a project. In general, of all the projects reviewed, about 50% are selected for funding. While some rejected projects might have been approved at higher funding levels, the budget is adequate to meet our priority needs.

Socio-Economic Studies

Question: For Socio-Economic Studies, you have proposed a reduction of $97,000 from the 1984 base level of $339,000; yet your figures indicated you are planning to do what appears to be considerably more work. In 1983, you project to complete six EIS's, fifteen rulemaking actions, four unsuitability petitions and five general economic studies. For 1984, you propose to do nine EIS's, fifteen rulemaking actions, two unsuitability petitions, and five general economic studies. Particularly with regard to the additional EIS's how can you expect to do more work with less funds?

Answer: Total estimated workload requirements for Fiscal Years 1983 and 1984 do not vary significantly. For example, while three additional EIS's are expected in Fiscal Year 1984, two less unsuitability petitions are anticipated. The reduction in dollars is made possible due to the completion of initial

regulatory reform efforts in Fiscal Years 1982 and 1983 which had required economic analyses to assess the benefits and costs of various rulemaking alternatives.

Economic studies for this program component are performed either in-house or with independent contractor assistance. Presently, contracting services are very competitive and more services are being performed per contract dollar. OSM staff have also required considerable expertise in identifying the work that is required on socioeconomic studies contracts. We have found, for example, that listing very specific requirements in the statement of work for proposed contracts enhances competitive bidding and results in more beneficial studies.

OSM also has a number of existing socioeconomic studies on hand in which only the data needs updating. Contracts for updating the data are generally very competitive and are anticipated to be less costly than those for original studies.

Wire Transfer System for Letters-of-Credit

Question: Under General Administration, you expect to have a new wire transfer system for letter-of-credit drawdowns on OSM grants installed in late Fiscal Year 1983 or early 1984. Based on current information, when will this system be installed? What will be the capacity of the system in terms of overall use, and which other bureaus plan to use it? Will OSM always have priority on its use?

Answer: OSM is currently working with the Department of the Treasury on converting all OSM letter-of-credit holders from the Letter-of-Credit Regional Disbursing Office System (LOC-RDO) to the Letter-of-Credit Treasury Financial Communications System (LOC-TFCS). This conversion will take place on September 1, 1983.

The interagency agreement between the Department of the Interior and the Department of the Treasury only provides for OSM use of the LOC-TFCS at this time. However, the system will have the capacity to handle other bureaus' transactions. Treasury specifies a 24 hour transaction turnaround time for all agencies using the system, so other Bureaus will need to have approximately equal priority.

Abandoned Mine Reclamation Fund

Question: Moving now to the Abandoned Mine Reclamation Fund, you report on page 3 of the justification that the increase of $61,400,000 over the 1983 level for State reclamation program grants "will meet all of the States' anticipated requests and allow execution of certain projects previously accomplished under the Interior Projects Program and those previously administered under the Rural Abandoned Mine Program." While I realize your proposal to fund the State reclamation grants at $193,900,000 is the highest funding level yet achieved under this program, the Committee continues to receive reports from the States that they have the capability to do more. Why is there such great disagreement between what you say they can do and what they say they can do?

Answer: We awarded to the States all grant funds requested in Fiscal Year 1981 and Fiscal Year 1982. The 1983 appropriation and the 1984 budget request are less than the requests of the States. The 1984 request is based in part on past performance and our assessment of State capabilities to use funds. Several States with larger programs have substantial remaining unobligated balances from their Fiscal Year 1982 grants. We are currently evaluating State procedures to identify constraints on program expansion and ways OSM can assist the States to accelerate project activities. We will not hesitate to request additional grant funds if States demonstrate their capability to conduct larger programs.

It is important to note that the State Reclamation Grant program became fully operational only recently. Because of the long lead time associated with the budget process, we have had to use State "annual submissions," which precede the actual State grant request by at least one year. Since past annual submissions were prepared when States were initiating program development, States' estimates of need were generally not reliable. As States gain experience in program management, forecasts of need should become more reliable and the problem noted

above concerning the timeliness of fund obligation should likewise abate. OSM assistance to States in identifying and resolving such operational problems will be especially helpful in this regard.

We believe that the combination of streamlined grant procedures, our commitment to seek necessary funds in a timely manner, the new AML policy and the work we are doing to assist States will help to realize the goals of the AML program.

Debt Collection Contract

Question: In Fiscal Year 1982, OSM initiated a program to collect all past-due fees, which now total nearly $20 million. Please briefly outline for the Committee with whom you are contracting for such past-due collections, the progress they have made, and the terms of their contract. You indicate on page 66 of the justification that after 120 days the contractor will recommend to OSM which debts should be written off as uncollectable and which shouldn't be. What have their recommendations been so far?

Answer: OSM has contracted with Dun and Bradstreet Commercial Collections to collect delinquent reclamation fees for a 17% contingency fee. The following shows the status of all accounts placed with Dun and Bradstreet from November 1982, through March, 1983.

	Category	Dollars
1.	Accounts Placed	$3,674,816.94
2.	Accounts Paid in Full	99,063.72
3.	Accounts w/Pay Plans	787,138.93
4.	Total collected	253,150.75
5.	Uncollectable	
	a. Withdrawn	263,048.78
	b. Bankrupt	305,192.32
	c. Can't Locate	271,459.61
	d. Out of Business	134,136.14
	e. Miscellaneous	131,949.52
6.	Litigation Recommended	101,155.62
7.	Accounts Being Pursued	1,581,672.30

Question: What criteria have they used to determine which are and which are not worth continuing efforts to collect?

Answer: Dun and Bradstreet has divided the Uncollectable category among five subcategories:

- Withdrawn - OSM has asked Dun and Bradstreet to close the account because of errors (e.g., payment has been received but computer data was not updated to reflect such payment prior to referral to Dun and Bradstreet).

- Bankrupt - a formal bankruptcy proceeding has been filed.

- Can't Locate - accounts generally enter this category because mail has been returned or the telephone has been disconnected. Dun and Bradstreet has initiated extensive "skiptracing" efforts in a significant number of these instances and expects to locate some of these accounts and reinstitute collection proceedings.

- Out of Business - confirmed with local sources that debtor has ceased operations some time ago and the principals are no longer in the area.

- Miscellaneous - includes accounts that are:
  - o too small for suit
  - o debtor is in serious financial hardship
  - o in dispute and have not been resolved

The final decision to write-off any uncollectable fees will be made by OSM and the Solicitor. We are in the process of establishing our own internal criteria for these decisions.

Question: You report further that for 1984 you plan to eliminate one of the three demand letters you now send before turning a case over to the commerical collection contractor. Why are you proposing this change? Is it really so important to reduce the time period before turning a case over to the collection agency?

Answer: The collectability of an account is directly related to its age. That is, the older the debt the less chance there is of being paid. Experience using the collection contractor is showing that OSM accounts have a collectability rate of 8.5% versus 33.0% for more expeditiously-referred private sector accounts.

To date, almost all OSM accounts the contractor has handled have been at least 3 months overdue. By the time OSM knows that a company is not going to pay on time, 30 days have passed since the close of the quarter. At that time a bill is sent which constitutes the first "demand letter." Past practices involved sending two subsequent notices, one 30 days and one 60 days after the initial bill had been sent. This was done pursuant to GAO requirements to make at least three written demands for payment. In the future, this will be more than amply accomplished by both OSM and contractor efforts. OSM's position is that there is no reason to delay initiation of contractor collection activity after the initial bill and one subsequent notice, especially when further delaying referral is expected to result in loss of Federal revenues.

Wire Transfer of Reclamation Fees

Question: How much do you expect to spend to implement a wire transfer system for payments of coal fees?

Answer: A total administrative cost of approximately $3,000 will cover preparation of the Federal Register notice and mailings to inform operators of the new system.

Question: Why are you proposing to limit this new system to payments of $100,000 or more?

Answer: At the time of OSM's initial meeting with Treasury, the lower limit for TFCS was $200,000. Treasury agreed to an exception for OSM and set the lower limit to $100,000.

Question: What percentage of payments is over $100,000 and what percentage is under that amount?

Answer: The following table displays this information.

Amount of Checks	Percentage of Receipts 1981	1982	Percentage of Firms 1981	1982
Over $100,000	60	63	3	4
Under $100,000	40	37	97	96

Question: You indicated you are implementing this system to reduce the "float" which some operators engage in. How bad is this problem?

Answer: Approximately $50 million in fees are collected quarterly; of these payments, approximately half are 3 to 6 days late. Assuming an average of 4

days late at 10 percent interest, the annual cost to the Treasury is approximately $200,000.

Federal Reclamation Projects

Question: Under Federal Reclamation Projects, you began in Fiscal Year 1983 a new program to identify and inventory mines with potentially hazardous conditions which could ultimately lead to an emergency. How is this effort proceeding and what do you plan to do in this regard during Fiscal Year 1984?

Answer: In Fiscal Year 1983, Federal Reclamation Project activities included a new program element to identify physical conditions at abandoned mined land areas which could potentially create emergency situations. The two abandoned mine land problem areas selected in 1983 are mine subsidence and landslides. These were chosen because they have placed heavy demands on OSM's staff and fiscal resources.

The subsidence investigation involves specific studies of subsidence in Kansas, Kentucky, Pennsylvania and West Virginia. In 1983, the studies will gather historical data on subsidence events, conduct surface surveys, do generalized exploratory drilling and identify readily available and suitable materials for potential backfilling operations. Preliminary analyses of data will begin following completion of these tasks. In Fiscal Year 1984, the analyses will be completed and the findings used to draft area subsidence investigation procedures. OSM believes that areas of potential subsidence could be identified with a far greater degree of accuracy and that this would allow Federal and State AML personnel to anticipate problems rather than merely react to events as they occur. OSM does not expect to provide an instant remedy in two years of study, but we hope that improved predictive techniques may be possible in the long run.

The second effort is an attempt to develop means for predicting landslides by identification and analysis of the visual and engineering characteristics of mine spoil on mountainous terrain. OSM believes that potential emergency situations will be easier and less expensive to resolve before a slide occurs if such a method is developed. A competitive procurement is scheduled for the last quarter of Fiscal Year 1983 to initiate this effort. A second phase will involve the development of methods to correct the physical conditions stimulating the unstable spoil material.

Question: In your State by State listing of known emergency and high priority reclamation projects on pages 74 through 78, the State of Pennsylvania stands out as having far and away the most of each. Why does Pennsylvania have such a disproportionately large share of these emergency and high priority projects?

Answer: OSM recognizes that an apparently "disproportionate" share of Federal funds, both emergency and non-emergency, has been expended in Pennsylvania. When National Inventory data are considered, however, the percentage of funds going to Pennsylvania has not been excessive. In addition, Pennsylvania had an active AML program earlier than other States.

In general, the expenditure of funds for emergency projects must be determined by need. Pennsylvania has received more dollars because of the high population densities located immediately above abandoned mine lands and the fact that mine subsidence occurs with high frequency in that State. Subsidence control is also very expensive as compared to other AML project activities. With the implementation of the policy for addressing emergency projects as presented on page 72 of the Fiscal Year 1984 Budget Justification, a change in the percentage of emergency funds spent in certain States has begun to occur. For example, Arizona, Kansas, Kentucky and West Virginia have received increased amounts.

A redistribution of high priority project funds is also apparent. The primary reason for this was the consolidation of the Bureau of Mines AML program into OSM's AML program on February 1, 1982. Bureau of Mines activities were primarily centered in Pennsylvania because virtually its entire AML staff was located in Pittsburgh or Wilkes-Barre. By contrast, OSM has an active relationship with most States. With OSM managing the entire AML program

(outside of RAMP), a large number of previously approved projects have been funded and a more equitable distribution of funds realized.

QUESTION SUBMITTED BY SENATOR WALTER D. HUDDLESTON

Question: When you testified before the Senate Energy Committee in February, it was suggested to you that close scrutiny of State impediments to expeditious expenditure of Abandoned Mine Funds might be a good idea and in fact, it is my understanding that a proposal authored by David Short at the University of Kentucky Mineral Law Center has subsequently been forwarded to your office for review. I would be interested in what reactions your program management people have had to Mr. Short's proposal.

Answer: During testimony before the Senate Energy Committee we indicated that OSM had already awarded a contract which includes as one of its objectives an examination of ways in which States might expedite the use of AML funds. Mr. Short's proposal is, in fact, more limited in scope and more costly than the OSM-initiated study which is now in its second month. We believe that our study will address the Committee's concerns, provide all the information Mr. Short proposed to provide, and also give OSM and the States detailed guidance on how to build more effective AML programs.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

Question: I understand Rural Abandoned Mine Program (RAMP) is being phased out by Fiscal Year 1986. Could you explain the reason for this.

Answer: Congress previously instructed OSM to reduce the number of systems for delivery of abandoned mine reclamation services. The Administration fully supports this proposal and OSM is carrying it out by giving States the lead role for all reclamation, thereby reducing program fragmentation and administrative costs. Provision of funds for RAMP projects through greatly increased State reclamation grants is consistent with this effort to consolidate delivery systems.

States are using their authority in this area to carry out RAMP-type projects through administrative mechanisms which they design, such as agreements with local soil and water conservation districts. Consequently, program management is being accomplished at the appropriate governmental level.

Question: The Abandoned Mine Reclamation Fund has over $300 million on accumulated trust funds. What is the plan for the release of these funds?

Answer: OSM intends to request funds for and release funds to the States commensurate with their ability to expeditiously use those funds. In Fiscal Year 1984 we anticipate awarding $193.9 million, assuming States are prepared to handle that amount. Our goal is to help States streamline adminstrative system and build staff resources so they can effectively manage increased grant amounts.

Question: I understand OSM plans to use the National Inventory as a tool for distributing both Federal and States share funds. It seems inappropriate that the national inventory would be used, instead of priorities determined by the States, to distribute State share funds. Could you address this issue?

Answer: Use of the National Inventory is not expected to prevent States from receiving their State-share funds. OSM has indicated in the Abandoned Mine Land (AML) Policy Statement (which was given to the Committee) that "at this time, and in recognition of the remaining 10-year life of the reclamation fee, this distribution, for Section 403 and Section 409 projects, will not be less than each State's/Tribe's estimated 50%-share of the Fund."

Question: The National Inventory for North Dakota is three years old and does not reflect current needs. What provisions are being made for updating the National Inventory?

Answer: Within the next 30 days, OSM will initiate an interim update which will allow the States to request changes to the existing standarized data. OSM's Field Offices will validate the requested changes. By the fall of 1983, OSM will have a permanent process in place to add new Problem Areas or revise existing ones.

Question: The Scranton site in North Dakota was declared a priority "1" site in 1978 by the Department of the Interior. Today Scranton is nowhere near completion. At current funding levels, it is projected that the Scranton project could be completed by 1989. It seems that this is an unreasonably long time for the completion of a high priority project. What's the problem with funding for Scranton? Is there any reason why this project can't be accelarated?

Answer: OSM has corrected the misunderstanding with the State of North Dakota regarding the funding of the Scranton project. OSM will provide $250,000 in Fiscal Year 1983. Our intention is to provide the remainder, or $1.34 million, in Fiscal Year 1984, to bring the total funding for the Scranton Project to $1.59 million. This funding approach would allow the State flexibility to schedule project activities in the most cost-effective and time-effective manner.

INSTITUTE OF MUSEUM SERVICES

STATEMENT OF LILLA TOWER, DIRECTOR

PREPARED STATEMENT

Senator McCLURE. We will now turn to the Institute of Museum Services.

The fiscal year 1984 budget request for IMS totals $11,520,000, an increase of $720,000 above fiscal year 1983 appropriations to date.

When the funds carried over from fiscal year 1982 are included, this request represents level funding.

Mrs. Tower, do you have anyone else who will be at the witness table with you?

Mrs. TOWER. No one else at the table, Mr. Chairman.

Senator McCLURE. All right.

Your prepared statement will be placed in the record in full at this point.

Mrs. TOWER. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF LILLA TOWER

I very much appreciate the opportunity to appear before you today to discuss the Fiscal Year 1984 budget of the Institute of Museum Services.

Having served as Director of the Institute for approximately fifteen months, I have gained new insights into and a greater knowledge of the spectrum, the vast sweep of our nation's museums. I have long held the belief that museums are among the most valued institutions of our society. They are, as well, an essential part of this nation's economic fabric. They enrich our lives, they preserve our heritage, they contribute to scholarship and to public education. The Institute of Museum Services supports the enhancement of and the continued vitality of these great national assets.

Now an independent agency, the Institute has only been in existence since 1976. It has awarded grants for 5 years. IMS supports museums in their multiple goals of preserving the nation's historical and cultural heritage, educating and enlightening the public on a myriad of subjects, and in providing the pleasure and cultural enrichment essential to a society with changing and diverse needs and peoples. The Institute awards grants to assist in achieving these important aims, providing support to a wide variety of museums.

Having become an independent agency and having concluded the fifth year of grant awards to museums, the Institute has reached a significant milestone. Since Fiscal Year 1978, the Institute of Museum Services has provided one-year General Operating Support grants. Further, it has made one-year Special Project grants to museums every year except Fiscal Year 1982. The Institute also provides support through the Museum Assessment Program (MAP) initiated in FY 1981. Federal funding for museum

assessments was not available in the Fiscal Year 1982 appropriation but was reinstated by the Congress in Fiscal Year 1983.

For the 1984 Fiscal Year, the Administration recommends a total of $11,520,000 for the Institute to maintain its current level of funding. The IMS budget can best be separated into three categories: 1) Grants to Museums; 2) Administration; and 3) the National Museum Services Board.

1) The Fiscal Year 1984 budget request for Grants to Museums is $10,790.00. A modest retrenchment in the Grants to Museums program has been made to offset increased administrative expenses attributable to the Institute's Congressionally-mandated independent status and its placement under the umbrella of the National Foundation on the Arts and the Humanities, together with the National Endowments for the Arts and the Humanities.

Grants will be awarded for General Operating Support to assist museums in their basic services and programs. These one-year awards will be made to eligible museums (45 CFR §1180.5) after a competitive review as in past years with a maximum grant, subject to action by the National Museum Services Board, not to exceed $50,000 or 10% of the museum's most recently completed operating budget, whichever is less.

In addition, Special Project grants will be awarded to fund one-year innovative and exemplary projects with priority given to applications for innovative fund-raising and financial development activities and projects involving innovative cooperative endeavors among groups of museums. (45 CFR §1180.12(b)).

The Museum Assessment Program will provide $600 awards to eligible museums for independent professional assessment of the museum's programs and management. These grants encourage the improvement of museums--particularly those with small budgets--and provide them with necessary advice and direction, including advice on broadening their bases of private and other non-Federal financial support.

2) Significant administrative cost reductions were effected in Fiscal Year 1982, by cost-cutting measures and increasing productivity and other managerial techniques, enabling IMS to return to the Treasury $341,000 of the $576,000 appropriated for this category, or approximately 60% of the agency's administrative funds.

The Institute's Fiscal Year 1984 budget request for administration is $651,000, reflecting a net increase of $24,000 over the Fiscal Year 1983 administrative budget of $627,000, on an obligational basis. As previously mentioned, this anticipated increase in administrative costs is a consequence of the Institute's independent status and its physical relocation, which will occasion an approximate anticipated $37,000 increase in rent over FY 1983. Additionally, the Fiscal Year 1984 funding request for administration provides for 11.5 full-time positions, the same personnel requirements estimated for Fiscal Year 1983. However, the Fiscal Year 1984 budget request does include a $13,000 increase in personnel compensation directly attributable to personnel pay increases within grade and a $2,000 increase in personnel benefits, attributable to anticipated benefit increases.

A projected decrease in administration costs of $20,000 for equipment will partially offset these uncontrollable increases in expenses.

This approximate 3.8% increase in FY 1984 over FY 1983 requested in the administrative budget represents IMS' perfected independent status, that is, physical relocation for the full 12 months of the Fiscal Year in the Old Post Office Building and the effecting of the final phase of transition to an independent agency under the National Foundation on the Arts and the Humanities.

3) Finally, the funding request for the policy-making arm of the Institute -- the National Museum Services Board -- is $79,000, a $9,000 increase attributable principally to higher costs for travel. Increased travel costs reflect the Board's full complement of 15 members, many of whom reside on the West Coast. The Board will meet at least 4 times in Fiscal Year 1984. The Board has recently been able to complete its meetings in one full day of work, which will help to minimize costs. Meetings will be held in government facilities.

The Institute is proud of its role in assisting the museums of America and is appreciative of the support it has received from Congress since its inception. The budget which has been submitted for the forthcoming Fiscal Year is also supportive of this role and will allow the Institute to continue its services and its assistance to our nation's museums.

At this point, I would like to share with the members of the Committee specific information about the Institute's 1982 grant awards and current (Fiscal Year 1983) activities.

During FY 1982, our most recently completed grant year, awards totalling approximately $10.2 million were made to museums in 47 states and the District of Columbia. All of these awards were for General Operating Support. After reviewing 1,058 applications, the Institute awarded grants to 439 museums. Of these,

museums with operating budgets of under $250,000 received 51% of the awards.

The Museum Assessment Program goes forward in Fiscal Year 1983 with its one-time $600 grants. As previously stated, these awards will provide museums with funding for an independent professional appraisal of their programs and management. Special Project grants will be awarded in 1983 as well, with a budget of approximately $669,000 for this category. It is anticipated that approximately 25 awards will be made, although this number could increase substantially depending on the museums' operating budgets. General Operating Support, always the Institute's major program, will result in approximately 350 awards. This, too, could increase substantially depending on applicants' operating budgets. The Fiscal Year 1983 IMS budget for General Operating Support Grants is approximately $10,034,000.

Further, as previously stated, the Institute anticipates a physical relocation to the Old Post Office Building this year. We hope to occupy these new quarters soon. In order to lessen excessive negative impact on grant processing and resultant delays in their necessarily fixed schedule, it is imperative that we not be subject to any further shifts in moving date.

Today the Institute continues its unique and supportive role in assisting in maintaining and improving museums by providing a small but significant percentage of General Operating Support funds and Special Project grant monies to these enormously effective cultural and educational resources. IMS emphasis remains on support not to exceed 10% of a museum's operating budget or a maximum of $50,000, whichever is less, for many of our nation's quality institutions rather than attempting to subsidize more fully only a very few. This philosophy has been established by the Institute's Board in its policy-making role

and is reflected in pertinent part in proposed Regulations approved by the National Museum Services Board in a revised and simplified form appropriate to IMS' needs as an independent agency.

These Regulations contain provisions designed to ensure that the maximum number of quality museums share in limited Federal resources. They also serve to prevent museums receiving funds from becoming dependent on government support; they endeavor to vary the mix of grantees and to assist a greater number of small museums.

The proposed Regulations are, of course, consistent with the aim of encouraging museums to conserve existing collections and to offer new and better services directed toward the preservation of history and the enrichment of culture. Equally important, however, is the necessity to retain the pluralism of support for museums which has contributed not only to their vigorous growth but to that spirit of excellence which illuminates our nation's museums. There is an inextinguishable flame of support for museums emanating from the private sector and a true spirit of volunteerism which together create a strong bond between museums and the communities they serve. It is important that this broad-based support be continued.

Mr. Chairman, it has indeed been a pleasure to appear before the Committee and to reiterate the diverse benefits which museums can and do provide to our society, to all Americans. I look forward to working with you for the continued vitality and enhancement of these splendid national assets.

This concludes my prepared statement. I welcome the Committee's comments and questions.

BUDGET REQUEST

Senator McCLURE. It's a pleasure to have you back before the committee again today and to get an update on your progress over the last year.

Mrs. TOWER. Thank you. It's a pleasure to be here.

Senator McCLURE. The authorization ceiling for IMS for fiscal year 1984 is $9,600,000. While it is true that Congress often disregards such ceilings, it is unusual to receive a budget request from the administration which exceeds the authorized level.

Do you plan to submit legislation to the Congress to increase the amount authorized for the Institute?

Mrs. TOWER. That's a very interesting question, Mr. Chairman.

I seem to be under the impression that of late the Congress has been authorizing, by appropriation. I had not addressed myself to your question previously and don't have an immediate response to it right now.

Senator McCLURE. The Appropriations Committee doesn't mind making decisions for the authorizing committees. But sometimes the authorizing committees object.

Mrs. TOWER. Well, I can understand that, sir.

Senator McCLURE. There is, of course, the possibility that we may have to reduce the budget request to the authorized level that is sometimes required of us or at least urged upon us.

Will you please submit for the record a proposed distribution of the funds at the authorized level of $9,600,000.

Mrs. TOWER. Yes, Mr. Chairman.

[The information is included with the additional committee questions.]

REPRESENTATIONAL ALLOWANCE

Senator McCLURE. The budget request includes legislative language which would provide you with a representational allowance of $1,000.

The Chairmen of the National Endowment for the Arts and for the Humanities are authorized to use private donations as well as appropriated funds for these expenses.

Do you envision receiving any private funds for representational expenses?

Mrs. TOWER. No, sir, Mr. Chairman.

Senator McCLURE. Has this change in authorization been cleared with the committees of jurisdiction in the House and in the Senate?

Mrs. TOWER. Has it been cleared?

Senator McCLURE. Yes.

Mrs. TOWER. It merely went through in the President's budget.

Senator McCLURE. The budget justification projects administrative expenditures of $627,000 in fiscal year 1983, compared with actual administrative expenditures of $235,000 in fiscal year 1982.

We realize that you were very short staffed last year. How many full-time permanent staff do you currently have on board?

Mrs. TOWER. Full-time permanent, Mr. Chairman, is four at the present time.

Senator MCCLURE. You had three last year, I believe; is that correct?

Mrs. TOWER. I believe that was so.

[Pause.]

Mrs. TOWER. Sir, it appears to be five at the present time.

Senator MCCLURE. I think your authorized a maximum of 12.

Do you plan to increase your employment above the four or five that you now have?

Mrs. TOWER. My employment is significantly above that. Full-time permanent is the figure I previously gave you.

Senator MCCLURE. Yes.

Mrs. TOWER. We have certain personnel under excepted authority, and we are converting—or we're rapidly approaching the time when we can convert them to civil service. The paperwork is in on one, and it will be moved in as soon as I can give my attention to it, sir.

Senator MCCLURE. There is a substantial increase identified under other services—from $26,000 in fiscal year 1982 to a projected $149,000 for fiscal years 1983 and 1984.

We understand that a substantial portion of this increase is related to the requirement to operate two data processing systems for a period of time after your move to the Old Post Office.

How long do you anticipate operation of the two systems?

Mrs. TOWER. I would not know in terms of weeks or months. The answer would be driven by the amount of time it would take to get the kinks out of the system when you transfer over to a new system, with new software, et cetera, and to avoid nightmare error, which means loss of data. That is a matter, Mr. Chairman, for the experts, I think, to determine.

Certainly we would want to hold that figure to $10,000, if possible.

The figures that you are referring to, $149,000 for 1983, reflect the following breakdowns and interagency agreement or agreements with the sister agencies under the National Foundation. We have no real idea, as yet even, what these will cost us.

They could go as high, combined, as $40,000.

Thirty thousand dollars for field reviewers, $60,000 for ADP, which is broken down to charges for new software, the development of this, as you say, to run a dual system and to continue to pay for the Department of Education system until we totally unplug, and then a small figure for contracts, including maintenance contracts for word processors, xeroxes, typewriters, et cetera, small purchase orders. And then, we have given ourselves a minimal allowance there in order that Congress, if it does decide to direct IMS to report on something that is better contracted for outside.

Senator MCCLURE. But you would expect that changeover in computer systems to occur in a matter of weeks or months during 1983 and perhaps into fiscal 1984? But we could expect a drop—or at least not a repetition of those expenses in fiscal 1985; is that correct?

Mrs. TOWER. Well, you will not have a repetition. As soon as we can come up on that plateau of running a dual system, as we previously stated, at the time we unplug from the Department of Education, we will not be paying for their services as well.

Certainly the software charge of $20,000 for 1983 will be repeated again in 1984.

Senator MCCLURE. In your statement before the House Subcommittee on Postsecondary Education, you stated that in fiscal year 1982 travel costs had been reduced by approximately 92 percent below the fiscal year 1981 level.

For fiscal years 1983 and 1984, however, the justification shows an increase of about 100 percent over the fiscal year 1981 level of $12,809.

What's the reason for that substantial increase for travel.

Mrs. TOWER. Sir, as you will readily understand, the agency was subject to rescission. Under the posture that I served, as its director, at that time, I authorized no travel which involved anything other than the use of a private car and a trip very close to Washington itself.

We did, as the figures recite, hold expenditures to approximately $1,000.

In 1983, on the other hand, we anticipate that staff will attend certain meetings. Hopefully, they will attend meetings of the American Association of Museums, also the American Association of State and Local History. These are annual meetings, and certain of those that take place during the year.

This travel also includes field readers or panels which the Board may determine to call into Washington. The Board has not yet had an opportunity to make a judgment on that, but I have to make an allowance for that in case it does.

It decreases slightly in 1984, as you can see, because there will be a minor reduction in staff travel.

Senator MCCLURE. In the last year, how many grantees have been subject to site visits by the staff of the Institute?

Mrs. TOWER. How many grantees?

Senator MCCLURE. Yes.

Mrs. TOWER. In the last year, being 1982, last grant award year?

Senator MCCLURE. Yes.

Mrs. TOWER. Well, staff would consist of myself, sir. I visited approximately five in St. Louis. I visited several in Los Angeles—myself.

Senator MCCLURE. Since the beginning of this fiscal year, how many site visits have been made by staff, by yourself——

Mrs. TOWER. Staff?

Senator MCCLURE [continuing]. Or other staff.

Mrs. TOWER. Other staff made visits to Richmond. And I made visits, myself, to Texas and—I beg your pardon, sir, Los Angeles was in this fiscal year. I was summoned out there for business of the President's Committee on the Arts and the Humanities and took that opportunity—inasmuch as my agency was required to spend the funds for my travel, I took that opportunity to make site visits.

Senator McCLURE. New regulations proposed by IMS state that:

The Director, subject to the policy direction of the Board, determines the percent of the funds available under the act for grants in any fiscal year which shall be reserved for general operating support grants.

In practice, the Appropriations Committees of the House and the Senate state, through report language, the amount of support grants, special projects, museum assessment program, and administrative funds.

In your opinion, do the regulations supersede the allocations prescribed by the Congress?

Mrs. TOWER. On the contrary, the proposed regulations published by the Board are in harmony with the mandate of Congress.

You will recall, Mr. Chairman, that last year I was moved into an unenviable box, as Director, in so much as the Board had voted against the appropriation language of Congress—in particularity with special project funds. This new language in the proposed regulations will enable me not to be so boxed in.

Senator McCLURE. So, you expect that the allocations made by the Board will follow the allocations made by the Appropriations Committees?

Mrs. TOWER. They must, sir. I think any other action or conduct by the Board will be considered ultra vires.

Senator McCLURE. The budget request for the National Museum Services Board totals $79,000.

Actual expenditures for the Board totaled $30,000 in fiscal year 1980, $37,000 in fiscal year 1981, and $36,000 in fiscal year 1982.

How much has the Board spent to date in fiscal year 1983?

Mrs. TOWER. I cannot give you that figure off the top of my head. With your——

Senator McCLURE. Could you provide it for the record?

Mrs. TOWER [continuing]. Permission, I will provide it for the record.

Senator McCLURE. Thank you.

[The information is included with the additional committee questions.]

APPROPRIATION REDUCTION FOR THE BOARD

Mrs. TOWER. I might add, Mr. Chairman, that the 1982 appropriation for the Board was $70,000. And then, from that, there was taken a 4-percent reduction, as the chairman will recall.

So, the 1983 level of $70,000 is in line with the 1982 amount. And the $79,000 request reflects increased costs, plus the large Board and that Board positioned geographically in a more costly location—to wit, California. A number of members of the Board are in California.

Senator McCLURE. Well, if I look back at 1980, 1981, and 1982, expenditures have been substantially under the appropriated amount.

I was just wondering if there are plans for different activities for the Board that justified the current appropriations request?

Mrs. TOWER. There have been different activities this year. And there may be, indeed, an increase of different activities in 1984.

This gives the Board room to provide for committee meetings at the midsection of the continent or in Washington or on the other coast.

We have had two committee meetings so far this year. And the chairman will recall that we have had a rather pressed year in terms of republishing regulations and redoing grant application packets.

The Board has been working very hard on the work of the Institute. But it will break off more, I rather suspect, into committees and do a great deal of work by committee in the future. And we allowed for that, obviously.

Senator McCLURE. We certainly have no desire to prevent the Board from carrying out its mission. But it seems a shame to allocate substantially more funds than are required when historically the appropriation has been about double the expenditure.

Mrs. TOWER. Mr. Chairman, in that regard, I might add that in the past the accounts, the way they have been kept, have not reflected accurately many charges that should have been laid against the Board.

I inquired into this at the end of fiscal year 1982, and I directed and requested the Department of Education to carry charges on the Board's account which were applied to mine.

Hopefully, that will be done before we unplug from Education.

But in any event, I have made efforts to straighten these accounts out, so that in the future the Board's account should more accurately reveal their expenditures. And, in part, you will see that the amount appropriated more closely approximates that amount to be spent there.

Senator McCLURE. Perhaps the figures that you will supply for the record on expenditures to date for fiscal year 1983 would reflect that.

Senator McCLURE. We'll look for that with some interest.

Well, thank you, Mrs. Tower.

ADDITIONAL COMMITTEE QUESTIONS

If there are additional questions, the staff will be in touch with your office for that information.

Mrs. TOWER. Well, thank you, Mr. Chairman.

Senator McCLURE. We appreciate very much your testimony today.

Mrs. TOWER. Thank you so much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Question. Do you plan to submit legislation to the Congress to increase the authorized amount for the Institute?

Answer. As you know, the Museum Services Act as amended by Public Law 96-496 provides authorization levels for the Institute of Museum Services through fiscal year 1985. The law specifically provides for a ceiling of $35 million for fiscal year 1983, $40 million for fiscal year 1984, and $45 million for fiscal year 1985. Although I have not requested such a change in the IMS statute, it is my understanding that the House Subcommittee on Postsecondary Education is contemplating legislation which would make changes in the premanent authorization levels. Proposed legislation would amend section 209(a) of the Museum Services Act by striking out $40 million for fiscal year 1984 and $45 million for fiscal year 1985 and inserting $13,490,000 for fiscal year 1984 and such sums as necessary for fiscal year 1985.

Question. Will you please submit for the record a proposed distribution of the funds at the authorized level of $9,600,000?

Answer. A proposed distribution of funds limited to this level would require an approximate 16.66 percent reduction (plus or minus) from the administration's recommendation in each of the three principal budget categories: grants, administration, and board. Applying this percentage reduction to each category in an even-handed way, however, reduces administration to a figure which, because of uncontrollable charges not within the Director's power to guide or manage (congressionally mandated personnel pay increases and benefits increases together with GSA—imposed increases in rent, et cetera), would not enable the Institute to discharge its statutory obligations. Therefore, certain adjustments have necessarily been made within the categories, resulting in the following proposed distribution:

Adjusted proposed distribution:	
Grants to museums	$8,959,000
Administration	576,000
National Museum Services Board	65,000
Total funds	9,600,000

To achieve this, the following budget item (object classification) reductions have been taken:

Administration:	
Travel	−21
Printing and reproduction	−5
Contracts (small purchase orders reduced; study or report better contracted for outside reduced)	−6
Personnel	−43
Total administration reductions	−75
Board:	
Travel (elimination of committee A and B meetings; deduction for one board member's attendance at one board meeting)	−14
Travel	−14
Total board reductions	−14
Grants	−1,831
Total grant reductions	−1,831
Total all reductions (16.66 percent difference between administration's recommendation and authorized level of $960,000)	−1,920,000

Question. How much has the Board spent to date in fiscal year 1983?

Answer. Approximately $37,341,[1] including Board meetings (3) plus projected July meeting costs, one-half salary of Executive Assistant to the Board, personnel benefits, printing and reproduction, telephone (including long distance charges), word processor and xerox charges, SLUC attributable to Board usage, express mail, supplies and materials.

[1] It must be emphasized that these figures are approximations, the exact figures are yet to be received from the Department of Education; however, the above figure comports with our own (those kept within the offices of Institute of Museum Services).

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m. on Thursday, April 7, when we will review the fiscal year 1984 budget estimates for the Forest Service.

[Whereupon, at 3:28 p.m., Tuesday, April 5, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 7.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 7, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:10 p.m., in room SD-138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Byrd.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

STATEMENT OF R. MAX PETERSON, CHIEF

ACCOMPANIED BY:

DOUGLAS W. MACCLEERY, DEPUTY ASSISTANT SECRETARY, USDA
DALE ROBERTSON, ASSOCIATE CHIEF, FOREST SERVICE
J. LAMAR BEASLEY, DEPUTY CHIEF, PROGRAMS AND LEGISLATION
ROBERT E. BUCKMAN, DEPUTY CHIEF, RESEARCH
JOHN H. OHMAN, DEPUTY CHIEF, STATE AND PRIVATE FORESTRY
R. M. HOUSLEY, DEPUTY CHIEF, NATIONAL FOREST SYSTEM
WILLIAM L. RICE, BUDGET OFFICER
DENNIS M. KAPLAN, BUDGET OFFICER, USDA

BUDGET REQUEST

Senator BYRD [presiding]. The subcommittee hearings will resume. I have been asked by Senator McClure, the chairman, to proceed with the hearings. He is temporarily delayed by virtue of the fact that he is attending a CIA briefing, which is cause enough for anyone to be in that circumstance.

So I will read and it will appear as Senator McClure's statement the following: "This is the time schedule to review the fiscal year 1984 budget proposal for the Forest Service. We will not address the land acquisition program or the asset management—land sales—program at this time. Instead we will review those programs in a hearing on April 27, 1983.

The Forest Service's fiscal year 1984 request totals $1,251,026,000, a decrease of $275,067,000, in other words, 18 percent from 1983 appropriations to date.

The Forest Service also has pending before this committee a fiscal year 1983 pay supplemental for $25,084,000 and a fiscal year 1983 firefighting supplemental of $59 million.

The lead witness today will be Mr. R. Max Peterson, who is Chief of the Forest Service. He is accompanied by Deputy Assistant Secretary Douglas W. MacCleery, and on behalf of the chairman and the other members of the subcommittee, I would like to welcome you, Chief Peterson and Deputy Assistant Secretary, Mr. MacCleery, and your other associates.

PREPARED STATEMENTS

If you'd like to introduce your colleagues for the record at this point, we'd be glad to have you do so, then we would like to ask you to insert your statements in the record at this point and they would be printed in full and we'll move directly into the questions.

So again, welcome.

[The statements follow:]

STATEMENT OF R. MAX PETERSON

I appreciate the opportunity of appearing before you today to discuss the Forest Service 1984 budget. Before presenting a visual display of the budget proposals for 1984, I would like to review our recent accomplishments:

Highlights of 1982 Accomplishments

Forest Research Emphasis in 1982 was placed on: (1) expanding timber supplies through increased effectiveness of wood utilization; (2) continuing development of integrated pest management, wildlife habitat management, and rehabilitation of mined areas; (3) completing the fourth year of Forestry Intensified Research (FIR); and (4) initiating international study of common spruce budworm problems by Canada and the United States. Forest Research also discovered and patented a method of pressure steam drying of lumber, which offers potential for reduction of manufacturing costs.

State and Private Forestry Programs were directed at cooperative activities to increase softwood supplies from private, non-industrial forest land.

Major activities in 1982 were completion of 13 State forest resource plans; protection to State and private wildlands by use of "Fire Economic Analysis;" and publication of a construction manual in cooperation with the National Association of Homebuilders, which among other things, promoted the truss frame technique for reducing the cost of home construction.

Timber In 1982, 11.5 billion board feet were offered for sale — a 6 percent decrease from 1981. Of that amount, 10.0 billion board feet were sold compared to 11.5 in 1981. In 1982, only 6.7 billion board feet were harvested, resulting in the lowest harvest since 1958. This 16 percent decrease from 1981 reflected the distressed economic conditions and the resulting condition of the timber industry. Revenues generated from this harvest level were $365 million -- a 49 percent decrease from 1981. This amount is the lowest timber receipts since 1971.

The need to maintain a high timber program into 1983 and 1984 is critical to meet anticipated increased construction demands. Economic indicators have started swinging upward. Actual housing starts for the first four months of fiscal year 1983 (October thru January) are 398,300 compared to 260,400 for the same period in fiscal year 1982.

Minerals Over 29,400 mineral operating plans were processed in 1982 --a 17 percent increase over 1981. This program generated over $126 million in revenues.

Recreation Of all recreation visitor days on Federal lands, the lands administered by the Forest Service accounts for 42 percent. Over 233 million recreation visitor days were recorded in 1982 -- a slight decrease from 1981. This program generated over $25 million in revenues -- a 30 percent increase over 1981.

Grazing In 1982, use remained approximately the same as 1981. The revenues of $12.4 million in 1982 reflect a 17 percent decrease from 1981. This was a result of reduced fee charges.

We also met or exceeded funded targets for fuels management, reforestation and stand improvement, trail construction, range

improvements, wildlife habitat improvement, and landline location. A detailed review of 1982 accomplishments is included in the Report of the Forest Service for fiscal year 1982.

1984 Budget

I have some charts with me today which will provide additional detail and a brief overview of the 1984 budget. If agreeable, I will present this visual display at this time.

I wish to thank the Committee for allowing me this time to discuss the 1984 budget with you. I will be happy to answer any questions you may have.

STATEMENT OF DOUGLAS W. MACCLEERY

I welcome the opportunity to appear before you today to discuss the FY 1984 budget for the Forest Service. I am accompanied by R. Max Peterson, Chief of the Forest Service.

In his State of the Union Address, the President outlined a four-part plan to increase economic growth and reduce deficits:

- A domestic spending freeze.
- Measures to begin control of the so-called "uncontrollable spending programs."
- Adjustment of the program to restore America's defenses that will result in cost savings without endangering national security.
- A standby tax limited to no more than one percent of GNP to start in fiscal year 1986.

The first two points are especially pertinent to the FY 1984 budget proposal for the Department of Agriculture. There will be very substantial reductions proposed for the commodity, food assistance, and rural development programs. In total, budget authority is down 6 percent from 1983 and program level, the total financial value of the obligations to be incurred by USDA, is down 20 percent.

In this context, the budget of the Forest Service has fared rather well. The Forest Service 1984 budget reflects the revenue producing capabilities of some of its programs and their contributions to the economic recovery through a high level of resource outputs. Overall, the Administration is proposing to obligate just over $2 billion for Forest Service programs in fiscal year 1984, including the receipts-sharing element of the budget. This is a 1.6 percent increase over the 1983 fiscal year appropriation. These programs will be financed through the fiscal year 1984 appropriation, various permanent appropriations, trust funds and carryover funds that will be available as a result of changes in the reforestation trust fund made in the recently enacted Highway Improvement Act of 1982. The slight increase is somewhat misleading because the Forest Service budget includes payments to states of a portion of the receipts generated by the programs. If these payments are not counted, actual program funding is decreased by 6 percent.

We anticipate that the total receipts generated by Forest Service programs will be $1.4 billion, a 27 percent increase over fiscal year 1983. This reflects anticipation of an increase in housing starts and a concomitant increase in demand for wood products. Greater receipts also are a benefit of the priority the Administration has placed on making the national forests more productive for the American people.

Before I discuss the highlights of the Forest Service budget, I think it is necessary to cover two ancillary issues: the recent court decision on RARE II which affects the ability of the Forest Service to produce the outputs called for in the budget; and the Asset Management Program which shows up elsewhere in the budget as an important receipt item.

RARE II
On October 22, 1982, the United States Court of Appeals for the Ninth Circuit affirmed the District Court decision in State of California v. Block. The result of the decision is to hold the nationwide environmental impact statement prepared as part of the RARE II recommendations to be legally inadequate. Although the holding of the case applies directly only to 46 roadless areas in California which were recommended for nonwilderness, the holding is a legal precedent for roadless areas in the RARE II nationwide.

The court decision has serious implications for upsetting a wide range of projects currently planned for areas that were not recommended for wilderness or further planning by RARE II. These include timber sales, mineral exploration and development, hydroelectric projects, range and wildlife improvements, private and county road access, and fuelwood projects. For example, if all timber sales planned for the affected areas in FY 1984 were challenged, as much as 1.2 billion board feet would have to be dropped from the timber sales program or reassigned, if possible, to the already roaded areas.

To avoid such a major disruption of Forest Service programs, I am again urging the Congress to enact legislation declaring the RARE II environmental impact statement to be sufficient nationwide and releasing the remaining roadless areas from further wilderness consideration.

Our only realistic alternative to legislation, in view of the Ninth Circuit decision, is to reevaluate the roadless areas in National Forests in all states not covered by state wilderness acts incorporating release language. This could cost $15-30 million and will delay completion of forest plans from 6 to 24 months depending on the current status of each plan. In the meantime, planned management activities in the roadless areas will continue unless challenged on a case-by-case basis. This course will help keep disruptions to a minimum while the Congress considers nationwide sufficiency legislation or deals with additional state by state wilderness proposals based on the original RARE II wilderness recommendations.

Asset Management Program. Last year the Administration announced its Asset Management Program with these objectives in mind:

- To sell excess Federal property and some public lands that would have a higher and better use in private ownership.
- To improve the efficiency of government by eliminating the need to manage property or lands that are costly and inefficient and not necessary to serve public objectives.
- To pay off some of the national debt.

Unfortunately, a considerable amount of unwarranted concern was generated after announcement of the program; some opportunists characterized the program as intended to be a wholesale liquidation of the National Forests, a blatantly unwarranted and false conclusion. From the outset, we have made it clear that all Congressionally-designated areas, such as wildernesses, Wild and Scenic Rivers, national recreation areas and national monuments, would not be proposed for disposal. These categories alone total about 51 million acres. Only 60,000 acres were identified and announced at the outset as meeting criteria for disposal and as being eligible for sale under existing legal authorities. However, more of even

that infinitesimal fraction of the National Forest System will be subject to further review, including opportunity for public comment before actually being put up for sale.

The Forest Service has made a review of the remaining 140 million acres of National Forest System land so as to identify tracts which should definitely be retained in public ownership and those which should be subject to intensive study for possible disposal. As a result of this review, it has been determined that only six million acres will be more intensively studied.

Maps displaying the lands in each national forest and region that make up the six million acres are available for review at each Forest Supervisor's and Regional Forester's Office. A complete set of maps is also available for review in the Chief's office.

The Administration will shortly propose legislation to broaden the authority of the Secretary to dispose of unneeded National Forest System lands. Only after enactment of this legislation is it intended for the Forest Service to begin in-depth review of the lands selected for intensive study. The in-depth review will include full participation by state and local government and by the public.

1984 Budget. I would first like to explain our proposals for the timber, minerals and recreation programs which now generate, or have the potential over several years to generate, revenues that equal or exceed program costs. The National Forest System is a tremendous asset which can contribute directly to economic well-being. National Forests contain over 50 percent of the Nation's present standing softwood sawtimber supply and an estimated 25 percent of the potential domestic energy resources of oil, gas, coal and geothermal steam. There are also important deposits of such strategic minerals as cobalt, tantalum, molybdenum, and the platinum group metals. In FY 1983, total Forest Service receipts are expected to be $1,094 million growing to $1,391 million in 1984. The portion of the 1983 receipts coming from the Forest Service timber programs (which is the dominant element of Forest Service receipts) is expected to be $728 million, growing to $1,005 million in FY 1984. In addition, the mineral receipts (which is the second most important element of total receipts) is expected to increase by about $10 million during this same period. In view of the current budget deficits, it is important that emphasis be placed on the programs which generate receipts to the Treasury.

Resources on National Forest System lands will continue to be used wisely to meet public needs. It is a basic principle that the productivity of the land will be protected in all Forest Service programs. We are also placing greater emphasis on the compatibility among resource uses such as timber, recreation, fish and wildlife. For example, land management activities will fully integrate fish and wildlife needs with other resources and provide for or mitigate effects on habitat requirement. We are also dedicated to the principle that there must be a careful consideration of the environmental, economic and social impact of Forest Service resource management activities, as part of the planning and decision making process.

Timber. The budget request provides for timber offerings of 11.6 billion board feet (bbf), a 5 percent increase over the 11.0 bbf provided for in the fiscal year 1983 Appropriation Act. The 1984 program consists of 10.8 bbf of new timber sales and the anticipated resale of 0.8 bbf of defaulted sales. A mix of program and economic factors has shaped this proposal:

- The 1984 timber budget was formulated during 1982, the worst year for the housing industry since World War II. However, we now see increasing signs that important pieces of the Administration's

economic recovery program are taking hold. Both inflation and interest rates are down substantially from the disastrous levels of two years ago. As the President himself has noted, both housing starts and housing permits are climbing rapidly. The resurgence of the housing industry will mean an increased demand for wood products in 1983 with even greater increases expected for the 1984-1988 period. It is now common to see projections of 1.3 to 1.5 million housing starts for 1983 rising to the 2 million level by 1986. The January 1983 housing starts rose 36 percent to an annual rate of 1.7 million -- the largest one month rise since the Bureau of the Census began keeping housing start data in 1959. The 11.6 bbf sales level proposed for fiscal year 1984 should be viewed as a minimum level consistent with such a housing recovery. Indeed if the more optimistic forecasts prove correct, it will not be enough.

- The National Forests have a critical role to play in meeting wood needs for construction. Approximately half the Nation's standing softwood sawtimber is on the National Forests. It is not possible to rely on the private landowners, both industrial and individual, to the great extent we have in previous housing upswings. The National Forests must provide increasing timber supplies if we are to avoid having a housing recovery dampened or even choked off by increased wood product prices usually associated with rising demand.

- By the end of FY 1983, the volume of sold but uncut timber will be about 38 bbf. However, from 20 to 25 percent of this volume was put under contract at bid prices that were so high, the timber cannot be cut at a profit in the foreseeable future. Some of this timber will become available if the sale is defaulted and subsequently resold or if it can be mixed with lower-priced timber from more recent sales. It would be dangerous, however, to assume that the volume of high-priced timber under contract is the answer to increasing demand for wood for construction. This can only become available volume if the contractors can operate enough newer sales at lower prices to achieve a profitable mix. The resale of defaulted timber sales is certainly no panacea either, because defaults in substantial volumes will be accompanied by bankruptcies and a reduction in total mill capacity.

- The timber program is a multi-year undertaking. In many cases, fiscal year 1984 expenditures will be for sales that will not be prepared and offered for two or more years with the timber actually being harvested several years after that.

In summary, the proposed program is essential to the recovery of the forest products and housing industries and will produce significant revenue for the Federal Government in years ahead. It will help achieve objectives in other programs such as providing road access for recreation and diversification of habitat to the benefit of many wildlife species.

Minerals. The budget for the minerals program is $27.7 million. This is a 26 percent increase over the fiscal year 1983 appropriation, but only 11 percent above the funding level requested by the Administration for FY 1983. The increase recognizes the high rate of return from receipts generated by the program. The increase will continue the development of the petroleum, geothermal energy and strategic minerals resources of the National Forest while employing prudent safeguards to maintain environmental quality.

Recreation. The 1984 budget proposal for recreation use is $93.8 million, a 3 percent reduction from the amount appropriated for fiscal year 1983. The primary effect will be to shorten the season during which some

campgrounds and other facilities will be open. To mitigate some of the reduction, the Forest Service will continue to emphasize its volunteer program to perform some of the work. Where feasible, private concessionaires will be encouraged to manage the more developed facilities. There are, of course, other Forest Service programs which make important contributions to the recreation opportunities that are available. The Wildlife and Fish program, for example, which is important to the enjoyment of the National Forests by sportsmen and other outdoor enthusiasts, is being increased slightly from the 1983 appropriated level. As I have already indicated, the timber program gets roads built for necessary recreation access and can improve habitat for some wildlife species.

In the long run, a greater share of the cost of providing recreational opportunities and services should be borne by the people actually receiving the benefits. The 1984 budget proposal contains an estimate of $51 million in receipts from recreation admission and user fees. Approximately half of this is associated with legislation that the Administration is now developing. Both the Secretary and I have met with a wide range of recreation users and providers over the last year. There is a decided willingness to favorably consider proposals for new or increased user fees so long as the receipts are returned to the development, maintenance, and operation of the recreation resources.

There are two other program areas that I would like to discuss in these highlights.

Research. The 1984 budget for Forest Research is $100.8 million, 4 percent less than the 1983 appropriation. The reduction is not a new proposal. It would streamline the Forest Service research programs to about the same level of staff and laboratory facilities that was proposed last year. I am pleased that the Congress did agree with many of our proposals in the 1983 Appropriations Act which reduced research funding by about $7 million from the fiscal year 1982 level. The 1984 proposal would mean closing 4 small facilities and eliminating 150-160 positions at those facilities and at other laboratories that would continue operation.

Again, we are proposing to give a high priority to work on acid rain. In other areas we will delay or terminate the least important work in each area rather than making drastic changes in the emphasis given to broad programs.

State and Private Forestry. The FY 1984 budget for State and Private Forestry is $25 million, a reduction of 60% from the FY 1983 appropriation. The Forest Pest Management Program will be $17.3 million, which is 37% less than the FY 1983 appropriation. The policy of suppressing pests on Federal lands only, which was proposed in the FY 1983 budget, is again proposed for FY 1984. All grants to the State Forestry Departments will be terminated except for $400 thousand for management improvement. The Forest Service will continue to provide technical assistance in many areas and to collect national data.

This reduction in funding substantially changes the Federal relationship in trying to improve management of forested lands in non-industrial private ownership. Instead of cost-sharing for various protection, management and technology transfer activities, the Federal role will be more limited and indirect. Recent tax law changes provide economic incentives to private landowners for improving forest management.

After Chief Peterson provides an overview of the budget, we would be happy to address any questions that the Committee may have.

SUMMARY STATEMENT

Senator BYRD. Thank you very much and welcome, gentlemen. We're glad to have you here before the subcommittee at this time.

You might pull the microphone a little closer to you, chief, so that not only can we hear you but the people who are in the room may also hear you.

I will take advantage of the opportunity ask the first questions with the understanding that Senator McClure's questions will appear in the record ahead of mine when he appears.

CRANBERRY WILDERNESS

Last December Congress passed Public Law 97–466 which established three areas in the Monongahela National Forest of West Virginia.

The largest of these three areas is known as the Cranberry Wilderness. The Cranberry area is unique for its marshy flora, which grows at an extremely high altitude.

I take it that flora is singular and what would you say is plural? Floras or florae?

Mr. PETERSON. Flora is fine for both, sir.

Senator BYRD. Floras?

Mr. PETERSON. It's plural.

Senator BYRD. How about the "ae"? Is that also plural?

Mr. PETERSON. We don't have an expert in language.

Senator BYRD. All right. Now that matter having been settled, this is a fascinating occurrence, to see the flora which grows at this high altitude, and if you haven't seen it, I commend it to you for a visit at your first opportunity.

As discussed in the legislative history accompanying Public Law 97–466, underlying much of the ecologically delicate surface of the Cranberry Wilderness are large quantities of high quality metallurgical coal as well as some oil and natural gas, I'm told.

Although the Federal Government has owned the surface rights for some time, the subsurface mineral resources have been owned by the CSX Corp. The law creating the Cranberry Wilderness establishes a procedure for compensating the corporation for these mineral rights which are now under Federal control.

Now, Mr. Peterson, you may or may not be prepared to answer these questions, but I'll ask them. If you have to do so, you may submit the answers to the record.

What has the Forest Service done together with Secretary of the Interior Watt—in cooperation with Secretary Watt to—acquire the mineral rights and in turn compensate the corporation?

Mr. PETERSON. Mr. Chairman, we have worked with the U.S. Geological Survey to evaluate the value of the minerals underlying those areas. The companies were asked to submit certain information which I understand they have done.

I can't give you an up-to-the-minute report of what's happening now, but we'll be glad to provide it to you. I have been to the area and I'm familiar with it.

Senator BYRD. All right.
[The information follows:]

CRANBERRY WILDERNESS

The Forest Service, the Bureau of Land Management, and the CSX Corp. met in early March to discuss the situation and develop an action plan. the major points include:

1. A Forest Service geologist examined the records to determine who, if anyone, besides the CSX Corp. is involved.
2. The Forest Service is contracting a title search to identify all mineral rights affected by the bill.
3. The Bureau of Land Management is developing a cost analysis for the mineral appraisal (including core drilling).
4. The Bureau of Land Management is exploring funding options for the appraisal.

DISCUSSION BETWEEN DEPARTMENTS

Senator BYRD. Do you know whether or not Mr. Crowell has met with Mr. Watt on this matter?

Mr. PETERSON. I do not know whether he has or not. I know there's been a discussion between the two departments, but whether he's discussed it with Secretary Watt, I could not tell you.

Senator BYRD. Do you foresee any stumbling blocks to proceeding with the compensation at this time?

Mr. PETERSON. I think it's too early to outline stumbling blocks. As you know, it's very difficult to get agreement on the values of subsurface material. It depends on how the relative values come out, the Government's valuation of them versus the company's. We could have a problem, but I don't know that we do at this point.

It is very difficult to value minerals that underlie an area.

Senator BYRD. Yes; well, I would expect the amount of money to be in the multimillion dollar range, which is, as you say, an item that has to be negotiated and discussed at some length.

COMPENSATION TO LOCAL GOVERNMENTS

But the law also authorizes an appropriation of $2.2 million, which is a clear figure to be paid after October 1, 1983, to Pocahontas and Webster Counties in West Virginia.

This money is based on a formula which was submitted to the Congress by the elected officials of those two counties: the county commissioners and so on, and public law specifically—rather I should say authorizes this specific amount of money to be paid after October 1 this year to those two counties.

This is a lump sum payment; it is intended as compensation for property tax revenues and other taxes and other revenues which the counties will lose as a result of Federal acquisition of the mineral rights in the Cranberry area.

Now, why does the fiscal year 1984 Forest Service budget not include a request for this $2.2 million payment?

Mr. PETERSON. Mr. Chairman, the bill, as you mentioned, passed after our budget went forward. It's a policy decision now as to whether to ask for that money. It's not reflected in the current budget request.

Senator BYRD. It is not reflected in the current budget request, but would you answer the question as to why?

Mr. PETERSON. As I recall, at the time the bill was signed, there was some concern expressed about that precedent. It's now a policy question that has not been resolved, to my knowledge as to whether it would be requested.

Senator BYRD. You do understand that the Congress has said—and I'll read the section in the law, section 6, titled "Pocahontas County and Webster County, West Virginia." Section 6:

> Notwithstanding any other provision of law, effective October 1, 1983, there is hereby authorized to be appropriated up to $2.2 million to be paid to Pocahontas and Wesbster Counties, W. Va.; said sum in compensation for property tax revenues and other taxes or payments foregone by the aforementioned counties as a consequence of the acquisition of the nonfederally owned coal deposits and other mineral interests and rights within the boundaries of the Cranberry Wilderness, as designated by this Act.
>
> Approved January 13, 1983.

So that there's no question but that the Congress, which includes both Houses working in conference, saw the reasonableness of such a payment and stated very specifically in a statute that $2.2 million was authorized to be paid. So there's no question as to the intent of the Congress; it's clearly spelled out.

And it is my understanding that the administration was opposed to the provision at the time, but notwithstanding that fact the Congress has spoken, and we in West Virginia are expecting Congress to carry out its expressed approval and intent by appropriating that money to those counties to compensate them for the revenues which would otherwise be lost.

Do you believe that it is fair or unfair for counties to lose tax revenues and other revenues as a result of a Federal decision?

Mr. PETERSON. Well, Mr. Chairman, that's the policy question in terms of the extent to which the mining would have taken place otherwise and what values were involved. I will get you an update on the situation as soon as I can on just where that matter stands.

Senator BYRD. For the record I should state that the counties were getting B&O tax revenues without the mining occurring, so they would otherwise lose this revenue which they were getting without the mining going forward.

So I realize the situation you're in, Mr. Peterson, but I think I should state for the record that it's my strong feeling as a member of this subcommittee and the committee that the Congress should deliver on its word, and the $2.2 million should be forthcoming and the counties shouldn't have to wait an extraordinarily long time in order to receive their just due.

So you present the additional information that you mentioned and I will do the best I can to see that the Congress delivers on its promise.

Do any of your associates wish to say anything in connection with this subject?

Mr. PETERSON. I believe not, Mr. Chairman. We understand your position.

Senator BYRD. I rather suspected that. A fellow never has to apologize for what he doesn't say. Never has to explain what he doesn't say, does he?

Well now, let's go to another item while I have the opportunity and I'm awaiting the chairman's arrival.

ASSET MANAGEMENT CRITERIA

The recent—and this is a matter involving the Green Brier Youth Camp, the recent asset management proposal from the Forest Service indicates that 17 parcels now owned by the Federal Government in the Monongahela National Forest are being considered for sale to the public.

Could you state what criteria have been applied in screening these 17 potential sales?

Mr. PETERSON. I'll ask Mr. MacCleery to answer that question, sir.

Senator BYRD. Very well.

Mr. MACCLEERY. The criteria applied to the lands which are in the inventory for further study were basically physical criteria, parcels that were isolated, separated or interspersed with considerable private lands as well as areas under special use to one entity or essentially a private use of the land—special use such as a summer home residence or a youth camp.

These areas were identified as probably not being needed in the future for public purposes. They were under a special use or a single use were identified for further study.

This does not mean that any sale is planned. But they are within the areas that would be given further study.

If and when Congress provides legislation that would give the Forest Service authority to sell lands, these would be the kinds of areas we would look to study further. The study process would involve full public participation, review of alternative options such as retaining in Federal ownership, selling to the permittee, and other options as well. So it would be a long time down the road before we would put up any individual parcels for sale.

GREEN BRIER YOUTH CAMP

Senator BYRD. One of the 17 proposed sites is the land now rented annually since 1952 by the Green Brier Youth Camp. This is a nonprofit organization which provides wholesome camping experiences for many young people in the southeastern part of West Virginia.

I have a strong interest in the continued operation of this youth camp because I believe that fine work is going forward there, and I would like your assurances insofar as you may be able to give them that the Forest Service will cooperate to the maximum extent possible in the sale of that land to the camp trustees if they so desire, and I would also like, if you could do so, to have you give assurances that the Forest Service will take no action which might jeopardize the continued operation of that camp.

Now, Mr. Crowell might have been in a much better position to answer that question, but are you in a position to comment on those questions, you or any of your associates?

Mr. MACCLEERY. Yes; I believe I am. I can give you assurances that any proposal will be discussed in public, will be reviewed, will be open to public discussion and to congressional review before any action is taken to sell these lands. I suspect, although the legislation isn't drafted, that there will be some provision for giving preferential treatment to the permittees who control that land in situations like this.

Senator BYRD. So when you say that this would be subject to public discussion, do you mean there would be public hearings previously announced at a certain place which would be convenient to the people who would be expected to appear as witnesses?

Mr. MACCLEERY. That's correct. Any study of this particular parcel of land or any other parcel of land that's identified for further study will be given full public discussion. We will review environmental assessments for environmental impact statements, as appropriate, look at options, and allow the public to comment.

Senator BYRD. Would it be reasonable understanding on my part that the Forest Service will take no action which would jeopardize the continued operation of that camp?

Mr. MACCLEERY. That's correct.

Senator BYRD. And that, if there is to be a sale of the land, the Forest Service would cooperate to the maximum extent possible in the sale of that land to the camp trustees, if they so desire?

Mr. MACCLEERY. I can give you assurances to that as well.

Senator BYRD. All right. I think, Mr. Chairman, that's all I have to ask.

INTRODUCTORY REMARKS

Senator MCCLURE [presiding]. Thank you very much, Senator Byrd. I do appreciate your going ahead, and I appreciate the manner in which you have aided both myself and the witnesses today in getting this hearing expedited.

I have brief introductory remarks that will be inserted in the record at the beginning.

Chief, before we begin discussing your 1984 proposals, we need to cover a few items regarding 1983 appropriations.

HIGHWAY REVENUE ACT OF 1982

First, the Highway Revenue Act of 1982, the gas tax bill, increased your forest highway authorization level from $33 million annually to $50 million annually.

How many additional miles do you anticipate being able to complete during fiscal year 1984 with this increase?

Mr. PETERSON. Mr. Chairman, I am sorry. I don't have those figures right now. As you know, the act also set up a new method for the allocation of funds, and we are working with the Department of Trans-

portation on a new formula. We are looking at certain highways that would no longer qualify; for example, interstate highways no longer qualify.

We are going through that process with DOT, and I expect it will be some little time yet before we know exactly what would be constructed in 1984.

Senator McCLURE. When you say some little time, what do you have in mind, a matter of hours or a month?

Mr. PETERSON. Well, I would hope within the next month to 6 weeks we will have that settled down. We will be glad to give you an update on it.

Senator McCLURE. Are you having difficulty getting that worked out with them?

Mr. PETERSON. No; we are not having difficulty. The new legislation said that instead of using the old formula we would consider renewable resource and land management plans and the impact of these plans on existing transportation facilities. We are working on that with DOT to establish a new allocation formula. I know of no problems with it.

Senator McCLURE. Well, I guess the reason I ask the question is while the gas tax bill was not presented to us by the administration as being a jobs bill per se, nevertheless it was treated in the Congress as though it were at least in part a job stimulus.

That was passed in December, and we still haven't yet begun the process of identifying—more than just begun the process of identifying where it will go, and we are getting well into the construction season before we even start allocating the money. We will not have any jobs impact in fiscal 1983.

Mr. PETERSON. We began almost immediately after the act was passed to look at the change in allocation methods that I mentioned. The old formula was based on the area and value of national forest lands. The new formula will look at needs determined through renewable resource and land management plans.

It gives us a little more flexibility to focus on needs. It also changed the definition of forest highways, but I think we are mostly through it now.

Senator McCLURE. Well, I would hope so, because, again, Congress believed and acted upon the belief that it would create some additional employment opportunities for the balance of this fiscal year.

Mr. PETERSON. Yes, sir.

PURPOSE OF FOREST HIGHWAYS

Senator McCLURE. Can this increased authorization be used to open previously unroaded areas for timber and other multiple-use activities, or are forest highways constructed with these funds selected independent of their value in providing for multiple-use management?

Mr. PETERSON. The highways have really a dual purpose. They are basically State and county roads, not forest development roads, but many of those roads do, in fact, serve very important purposes on national forests.

As you know, some of the State and county roads in Idaho may be very low standard and they may serve communities as well as the forest. It is those kinds of roads that the focus of the new legislation is on roads that serve both the public and the forest.

Senator McCLURE. I would hope that you could provide us information early enough that we can assist in making the allocation. Since, as you indicate, we are in effect plowing some new ground, we would like to see which direction your plow is turning the dirt.

Mr. PETERSON. Mr. Chairman, we will provide you an update on the situation.

Senator McCLURE. All right, if you would, please.

Mr. PETERSON. Yes, sir.

[The information follows:]

FOREST HIGHWAYS

As a result of a GAO study of the forest highway program, new regulations were implemented in the spring of 1982. These regulations changed the characteristics of highways in the system to include those public roads that have a preponderance of national forest traffic. The Federal Highway Administration (FHWA) and Forest Service have been meeting with the States through the summer and fall of 1982 to reorient route selection to meet the new criteria. The result of this definition change has been to greatly reduce the mileage of Federal aid primary routes and increase the local county and State routes not on the Federal aid system.

The Federal Highway Administration and Forest Service are currently working together on a needs study of these routes which include a physical inventory of existing standards, costs to bring each route to acceptable standards, and the value of the route to the resources of the national forests. The results of this study should be available in August 1983.

The new regulations also require changing the allocation formula for distribution of annual funds among the States. The old formula required allocation based on acres of national forest land and the value of the land. The new formula calls for allocation based on relative needs as identified through renewable resources of the national forests and land management plans considering the impact of these plans on the existing transportation facilities.

A task force of six from Federal Highway Administration and Forest Service are developing the allocation formula which will be in place in September and used for fiscal year 1984 allocations among the States.

Recognizing the importance of obligating fiscal year 1983 funds under Public Law 97–424 and the time delay if the new allocation formula were to be used, the $50 million fiscal year 1983 authorization was allocated according to the old formula. Contracts for the entire amount are scheduled to be let by Federal Highway Administration prior to September 30, 1983. In an effort to stimulate job opportunities, $7.8 million will be awarded by April 30 and $17.4 million by May 31.

REFORESTATION TRUST FUND

Senator McCLURE. The Highway Revenue Act also activated the reforestation trust fund by directing an appropriation of $108,035,000 in fiscal 1983 for reforestation and timber stand improvement projects.

Incidentally, this is the same amount appropriated in fiscal year 1983 appropriations bill, meaning that the activation of the reforestation trust fund had the effect of doubling the program provided for in the fiscal year 1983 bill.

You have proposed to defer the $108,035,000 provided in the fiscal year 1983 bill into fiscal year 1984 and intend to obligate the funds provided through the reforestation trust fund in fiscal year 1983.

Is that essentially correct?

Mr. PETERSON. That is correct, Mr. Chairman.

Senator MCCLURE. That also has the effect of reducing your fiscal year 1984 funding needs by $108,035,000, doesn't it?

Mr. PETERSON. That is correct.

REFORESTATION AND TIMBER STAND IMPROVEMENT PROGRAM

Senator MCCLURE. Disregarding the source of funding for a minute and not including the acres to be reforested through the Knutson Vandenberg trust fund, your fiscal year 1984 reforestation program is for 134,000 acres, a decrease of 57,000 acres, or a 30-percent decrease from fiscal year 1983 levels, and your stand improvement program is for 188,000 acres, a reduction of 53,000 acres. That is down 22 percent from 1983 levels.

I would have to say, chief, that that puzzles me. Congress effectively doubled your fiscal year 1983 program through the activation of the reforestation trust fund and also added $35 million for reforestation and TSI in the jobs bill.

It would seem that there is a clear signal that Congress wants an increased reforestation/TSI program. Instead of increasing it, you propose to defer $108 million to reduce your fiscal year 1984 budget needs. Then you actually reduce the size of your reforestation/TSI program in 1984 by about $12.7 million, or 21 percent.

Aren't you persuaded that there is a large area of high productivity, economically feasible lands that need reforesting and that would respond productively to proper stand treatments?

Mr. PETERSON. There is, Mr. Chairman, considerable acres that could be reforested. What the budget reflects is an attempt to defer items that could be deferred in order to keep the total budget request as low as possible.

We have sent to the field the information on the recent jobs bill. We have allocated that money. We have gotten back from the field an indication of what they can do with that money.

We expect to get Labor Department information on areas that are eligible tomorrow and we will be off and running on that program next week.

Senator MCCLURE. Assume for a moment that the Congress did not agree with the deferral that you have asked. Do you have the capability of expending the amounts that would thus be available to you?

Mr. PETERSON. Mr. Chairman, it would be somewhat difficult to spend very much of that on reforestation. In fact, by the time we add the money for the jobs bill to the program that we already have in 1983, we will essentially be at the level that we can effectively do reforestation; that is, in putting trees in the ground.

Senator McCLURE. Why?

Mr. PETERSON. Simply because we have limited sites available. It is now springtime. We are going to run out of the spring planting season. What we would have to do is spend any additional money on reforestation, to a large extent, on site preparation for out-years, for future years.

Senator McCLURE. Well, if you planned to spend the money, wouldn't that be a good way to do it?

Mr. PETERSON. It could be done. It would mean——

Senator McCLURE. That is not springtime specific.

Mr. PETERSON. No; that is right. A lot of that could be done this fall.

SEED AND NURSERY STOCK

Senator McCLURE. Do you have enough seed stock?

Mr. PETERSON. Yes; we have seed stock. But one of the ticklish things we always have to do is to guess, or estimate, what the appropriation level is going to be for reforestation.

We usually plant a few additional trees because of some loss in the nurseries, but we don't have much capability of going above that level if the appropriation comes along later.

Senator McCLURE. Well, I have seen a time or two when you did because of some bad planning. As a matter of fact, I have one or two of your trees growing as a result of that, but I know you don't desire to do that.

Mr. PETERSON. This year and last year we had some surplus trees because the amount of KV was less than we thought.

Senator McCLURE. I am thinking of an earlier time when you had more than just a few left.

Mr. PETERSON. Oh, yes.

Senator McCLURE. Several million.

Mr. PETERSON. Well, since we grow 150 million, or thereabouts, a 5-percent error is several million, so that is correct.

Senator McCLURE. Well, I think you were probably a little beyond the 5-percent error in that particular instance, and I know that you have trouble anticipating what Congress is going to do.

The Congress has said consistently we want more reforestation done than the administration has been suggesting in recent years. That has been consistent.

Mr. PETERSON. That is correct.

Senator McCLURE. Every year.

Mr. PETERSON. That is correct.

Senator McCLURE. I would hope that you anticipate that at least in part.

I will submit some further information and ask you to provide further information for me on that program, because I am sure we will be looking at that again as we look at the deferral and as we go through this year.

My expectation is—and this may not be backed up by what others in the committee do—but my personal expectation would be we will direct you to do more than you have programed. If, as a matter of fact, you are not able to do it, we will ask you why and if you don't accomplish it, we will ask you again why you didn't.

I just think in fairness to you, we ought to state that on the record at this time.

Mr. PETERSON. We will be happy to provide the information, Mr. Chairman.

[The information follows:]

SEEDLING AVAILABILITY

The most current inventory and sowing data shows the Forest Service has about 135 million bareroot seedlings growing in our nurseries that are scheduled to be shipped in fiscal year 1984. We expect 27 million bareroot and container seedlings will be purchased from State and private nurseries. In addition, we will probably grow another 6 million seedlings in Forest Service container facilities. Therefore, we will have about 168 million seedlings available for planting in fiscal year 1984. The number of trees is greater than the estimate in the explanatory notes because more 1-year-old seedlings will be used than originally anticipated. These seedlings can be used to plant about 295,000 acres using both appropriated and KV funds. An additional 115,000 acres of reforestation will be accomplished by direct seedling and site preparation for natural regeneration, for a total of 410,000 acres.

The 168 million seedlings must be planted in the specific zones for which they were grown. If appropriate sites are not available within the zones, the seedlings will most likely be excess to Forest Service needs.

REFORESTATION BACKLOG

Senator MCCLURE. As I recall the backlog, you say you don't have the capability, the sites aren't prepared. There's 540,000 acres in excess of the 85 cubic foot growth per year, is that not correct?

Mr. PETERSON. That is essentially correct, yes, sir.

Senator MCCLURE. And there would be under TSI, 655,000 acres at that standard?

Mr. PETERSON. That is correct.

Senator MCCLURE. And you don't have nearly enough money to do all of that, even if we give you all of this money?

Mr. PETERSON. No; the point is much of that is brush covered at the moment. It is the result of old fires and so on. It would take a considerable amount of site preparation to be able to plant it.

Senator MCCLURE. We have got a lot of unemployed people that want work.

Mr. PETERSON. Yes, sir.

Senator MCCLURE. And as I recall, you are not spraying anymore; you are going to go out there and grub it out?

Mr. PETERSON. We are spraying in some places, with great difficulty, Mr. Chairman.

Senator MCCLURE. Yes; I know, and the more you try to spray, the slower it gets.

Whether I agree with that decision or not—and, incidentally, I agree with your program; I don't agree with the critics. We have been slowed down because of the critics.

RECREATION CONSTRUCTION

Another question concerns fiscal year 1983 appropriations of $25 million in the jobs bill for construction, primarily for recreation related, health, and safety activities.

An article in yesterday's Washington Post states that the President is considering reducing his fiscal year 1984 budget request to offset funds added in the jobs bill. Will the Forest Service construction funds be affected?

Mr. PETERSON. Mr. Chairman, I expect they will, to some extent. The extent to which they will be affected is unclear at this time, but there likely will be some requested amendment of the 1984 request because of the jobs bill.

Senator MCCLURE. Does that assume a dollar-for-dollar tradeoff, or have you been directed to make a dollar-for-dollar tradeoff?

Mr. PETERSON. The amendment is pending. As I understand it, there is still a couple of options being considered. I don't know if a final decision has been made on the amendment. It should be available, I would think, within the next couple of weeks.

Senator MCCLURE. Will you provide that to us when you have it?

Mr. PETERSON. We certainly will, Mr. Chairman.

Senator MCCLURE. Do you know now whether the specific projects included in the fiscal year 1984 budget will be funded out of the fiscal year 1983 jobs bill money?

Mr. PETERSON. It is not a direct relationship. Many of the projects that were proposed for 1984 will be funded. There are some items—for example, Mount St. Helens—that didn't fit the criteria for the jobs bill.

In other words, we were focusing on health and safety and other type items in the jobs bill. Mount St. Helens is a new activity, and that is not a direct tradeoff.

Senator MCCLURE. Could you provide for the record an explanation of how you are going to make that decision and a list of the projects that will be affected by that decision?

Mr. PETERSON. Yes, sir, we will do that.

[The information follows:]

RECREATION CONSTRUCTION

The 1983 jobs bill (Public Law 98-8) appropriated an additional $25 million for health and safety rehabilitation projects to improve existing recreation facilities. This addition brought the total for 1983 recreation construction to $34.8 million.

Since budget reductions in future years should be possible for those projects to be accelerated under the jobs bill, we are submitting a budget amendment to eliminate the health and safety projects planned for 1984. All but the recreation construction planned for Mount St. Helens ($1,279,000) is now planned for funding under the jobs bill. The Mount St. Helens projects can be deferred for funding in a future year.

INSECT AND DISEASE SUPPRESSION FUNDS

Senator MCCLURE. Last year the Congress provided $8 million for insect and disease suppression on Federal lands. This was, I believe, an increase of about $4 million over the budget and was intended to provide what an average year would require.

On January 28 you provided information in a letter to the committee that the anticipated needs for suppression activities on Federal lands totaled $18,778,787 for Forest Service lands and another $2,056,550 for Department of the Interior lands.

Are these anticipated needs of almost $21 million going to be adequately treated by the $8 million we provided?

Mr. PETERSON. Mr. Chairman, the highest priority of those will be treated, not the entire amount. We have had to make some careful judgment on the highest priority projects.

We do not yet know precisely what areas will be treated. During the next month or two we will get springtime counts of insect infestation and other evidence of insects and will be able to firm that up. We provided, I believe, this last week an update of our best estimate of the projects we will actually do. It does not, however, include all of the projects.

CRITERIA TO FUND INSECT SUPPRESSION PROJECTS

Senator MCCLURE. You've indicated in that letter general criteria by which you would make the selection of which is high priority and which is not.

Mr. PETERSON. Yes, sir.

Senator MCCLURE. Can you tell me what kind of projects will not be funded? What are at the lower end of your priority list? Apparently, out of the $21 million, there'll be about $13 million that doesn't get funded.

Mr. PETERSON. Might I ask Dr. Ohman to help me with that answer?

Dr. Ohman, Deputy Chief for State and Private Forestry.

Mr. OHMAN. Mr. Chairman, the direction of the Congress was very clear on what some of our priorities should be. We are planning to fund all of the gypsy moth suppression requests from the States in 1983.

When it came to the Federal lands, our primary criteria were the highest values, particularly timber values, would be those that would be addressed first.

Another criterion was the possibility of success for the insect control project.

MOUNTAIN PINE BEETLE

Senator MCCLURE. Well, as I understand, your letter of March 22 from Secretary Block included an increase for the suppression of the mountain pine beetle in Colorado. And yet if I look at the January 27 sheet, you identified that the mountain pine beetle in Summit and Eagle Counties in Colorado—that project is in an area of low timber value, and the long-term outcome of the program is in doubt. And that would seem to fly in the face of the statement you just made that you would look at high values first.

Mr. OHMAN. Well, the criteria I mentioned were overall criteria. And since then, we keep getting more information, and we——

Senator McCLURE. Between January 27 and March 22?

Mr. OHMAN. Yes, sir. Additional information keeps coming all the time.

Senator McCLURE. Did the timber value change in that period of time?

Mr. OHMAN. No, sir, not the timber value.

Senator McCLURE. Oh.

Mr. OHMAN. The regional forester in the area requested to move some money that we had originally allocated for dwarf mistletoe control. He felt that he could accomplish that job by other means, such as firewood sales and things of that nature. We have approved, tentatively, his request to put more dollars in suppresion of mountain pine beetle.

Senator McCLURE. It sounds to me like though it's still one that by your criteria would be low priority and for some other reasons it got put up on top.

Mr. PETERSON. Let me add to that a little bit.

The area in Colorado is intermingled land. A lot of private land is mingled with national forest system land. There's a very active effort on the private land. Private landowners are spending a lot of money to do the control on their land.

One of our criteria has always been a review to determine the success of a Federal-private effort. We want to be a good neighbor in doing the job on the public land to prevent destruction of the combined values there.

This is a place of very high combined values, although not all of it is on the public lands.

Senator McCLURE. Well, I have a little trouble in following how it is you make the decision. I don't mean to be parochial. I just want to look at a couple of figures.

Region 1 has 2 million. Region 2 has nearly 3 million. Region 3, a little less than 1 million. Region 4, less than 1 million. Region 5, 75,000. Region 6, 11.5 million.

And I can't understand, from the materials that are presented to me, how that criteria is applied and how you arrived at the decision as to where this money is allocated.

Mr. PETERSON. The decision, obviously, isn't easy.

Region 6 has a very serious western spruce budworm outbreak, which can be treated. It is in an area of very high timber values and other very high values. It's of importance to other landowners, as well as ourselves.

Fortunately, we don't have as many problems in Idaho this year as we've had previous times.

Senator McCLURE. But, again, I didn't intend the question to be parochial and didn't want you to take it in that sense—just that the allocation of moneys between regions is not based upon any criteria which you have furnished us.

And would you furnish us the basis upon which you made those allocations by region——

Mr. PETERSON. Yes, sir. We'll do that.

Senator MCCLURE [continuing]. And why the decision was made that one area had high-priority projects, on a ratio of 11 to 1, over others.

Mr. PETERSON. We'll do that, Mr. Chairman.

[The information follows:]

CRITERIA FOR ALLOCATING INSECT AND DISEASE SUPPRESSION FUNDS

In preparing the proposed 1983 allocation, the following criteria and assumptions were used:

The areas had to have pest populations that were expected to cause damage in 1983.

No further funding would be available.

Gypsy moth suppression needs would be met.

With the major exceptions of gypsy moth, timber values would be given priority over other forest use values.

Small incipient outbreaks that could be completely treated and prevented from becoming major outbreaks would be given a high priority.

Where complete treatment of an outbreak is not possible, no treatment would be approved unless entomological units (geographic areas that are not significantly influenced by pest populations in adjacent areas) could be identified and effectively treated.

VALUE OF INSECT SUPPRESSION

Senator MCCLURE. Now, you're suggesting that we defer some of this money, that we don't spend all of the identified needs.

Can we save money in the long run by spending more money now?

Mr. PETERSON. I don't know the answer to that question, because in many cases we don't know what the insects will do.

We know, for example, that in the gypsy moth that—we are treating the bulk of it—there is some collapse of the population going on. But the front is continuing to move. It's a periodic kind of an insect. And we don't know for sure, if we conduct suppression at this particular level, what will happen. But we are making the decision on the very best judgment of the entomologists and others in the field, that given the kind of funding we have available, this is the highest priority projects with the most probability of success and the most values at stake.

Senator MCCLURE. I understand. But you put in that a little clause that has kind of evaded the question—that is, according to the amount of money which is available. And that's really the basis of my question.

Are we cutting funds here, in effect, in a manner which will cost us more in the long run?

Mr. PETERSON. It could. It may. It may not.

Unfortunately, we have a situation in 1983 where it seems that all the insects in all parts of the country, all at the same time, have moved up. It's an unprecedented situation. The funding provided by the Congress in 1983 normally would take care of all of the major needs.

We were somewhat surprised ourselves to see what the data indicated.

Senator McCLURE. So, your statement of need, about $21 million, was your statement of need based upon unexpected circumstances, unusual circumstances——

Mr. PETERSON. That's correct.

Senator McCLURE [continuing]. Do I read you right?

Mr. PETERSON. That's correct.

Senator McCLURE. For treatments needed on cooperative lands, we appropriated $7 million. And you now estimate a need of $10,602,950.

Your latest allocation, I understand, will be to spend about $6,314,-305 on cooperative projects.

And again, could you provide for the record the kind of project that does get funded, the kind of project that does not get funded, and the criteria upon which you make that judgment?

Mr. PETERSON. We'll do that, Mr. Chairman.

[The information follows:]

INSECT AND DISEASE SUPPRESSION PROJECTS NOT FUNDED AND DETERMINATION CRITERIA

The projects which did not get funded in 1983 included:

Western spruce budworm, dwarf mistletoe, and bark beetle suppression or prevention projects on Federal lands which could be deferred ($4.3 million or about 35 percent of the anticipated needs for western spruce budworm is being funded in 1983).

Western spruce budworm and bark beetle suppression or prevention projects on private land intermingled with Federal land which pose no immediate threat to Federal land or where timber values are low.

Spruce budworm in Maine on State and private ownerships.

Several insect and disease projects of local importance.

The following criteria and assumption were used in the funding determination:

The areas had to have pest populations that were expected to cause damage in 1983.

No further funding would be available.

Gypsy moth suppression needs would be met.

With the major exception of gypsy moth, timber values would be given priority over other forest use values.

Small incipient outbreaks that could be completely treated and prevented from becoming major outbreaks would be given a high priority.

Where complete treatment of an outbreak is not possible, no treatment would be approved unless entomological units (geographic areas that are not significantly influenced by pest populations in adjacent areas) could be identified and effectively treated.

SUPPRESSION FUNDING REDUCTION

Senator McCLURE. For fiscal year 1984, you have again proposed a significant reduction in suppression funding. You would cut suppression funding on Federal lands from $8 million to $4,486,000. That's a reduction of 44 percent.

And on cooperative lands, from $7 million to zero—I can't state that in percentages.

In view of your 1983 anticipated needs on Federal lands being more than double our increase over your fiscal year 1983 request, isn't it irresponsible for you to request only $4,486,000 in fiscal year 1984?

Mr. PETERSON. Mr. Chairman, I wish we had a crystal ball in terms of what's going to happen by 1984.

If we get some major collapse of insect populations, that number will look a lot better than it will if we get a continued buildup. And, frankly, at the time that we put a budget together, we're guessing about 2 years ahead on what the insect and disease populations are going to do.

Senator McCLURE. Well, I understand your statement of need at $21 million. And you've indicated why that is higher than the average amount that we've had in past years. But if we don't spend that amount of money, you're gambling on, or guessing, or ignoring your judgment, in favor of some other criteria, that those insect populations will collapse. You will spend less than 25 percent of the funds you say you need to exercise Federal trust responsibility.

It seems to me there are a lot of people who look at the Federal Government as the landowner, wondering why natural resource management suffers at the times of budgetary crisis, as they seem always to do.

For cooperative projects involving private and State lands, you again propose no funding.

Is it still your contention that high-value, merchantable timber is the only value worth protecting on Federal lands, and not even that is worth protecting on private or State lands?

Mr. PETERSON. The argument is not whether the lands are worth protection. It's a question, really, of whose responsibility it is to pay for that protection.

INSECT AND DISEASE SURVEY AND TECHNICAL ASSISTANCE

Senator McCLURE. Well, these lands, particularly those that are State lands, are owned by the people of the country. The private lands have assets that are usable to the country and important to the country. It isn't just that which is on the Federal domain that's important to the country.

Not only have you eliminated suppression funding for cooperative projects, you've also reduced funding for pest surveys and technical assistance by 65 percent; is that correct?

Mr. Ohman, is that the correct number?

Mr. OHMAN. Yes; that's approximately correct, sir.

Senator McCLURE. These funds are used by State foresters to conduct pest detection surveys and evaluations and provide training for land managers.

You state that the funds requested will be used to purchase State pest condition data.

Will the States be able to develop the data without our financial support?

Mr. PETERSON. That will likely vary considerably by States. Some States may, and some States may not.

Senator McCLURE. Well, if they do not, then you can't even use the money you've set aside or retained for that purpose.

Mr. PETERSON. We'll get less data and less reliable data.

STATE AND PRIVATE FORESTRY BUDGET REDUCTIONS

Senator MCCLURE. As large as your proposed reductions are in pest management, they aren't the largest, either in percentage terms or in total.

The entire State and private appropriation is cut from $62.3 to $25.1 million, a reduction of $37.2 million or a 60-percent reduction.

Cooperative fire protection is cut $11.4 million. That's a 79-percent reduction from fiscal year 1983 appropriations.

And forest management and utilization is cut $12.1 million. That's down 72 percent.

COOPERATIVE FIRE PROTECTION

The cut in fire protection is very troublesome, especially when linked with your reduction proposed for insect and disease control.

Are you going to let burn that which isn't infested?

Mr. MACCLEERY. Well, I'd like to respond, if I might.

Generally, there's a feeling by the administration that the Federal Government has been funding activities through the years that really ought to be funded by the States. Given the deficits that are looming and the pressure to keep Federal spending down, the Federal role ought to be reexamined and that the proper focus of the Federal role ought to be on research, technology transfer, technical assistance, and coordination between States, rather than on direct funding for management activities, fire control, and insect suppression on private lands and on State lands.

And this philosophy, this perception of what the Federal role ought to be, is reflected in the current budget request.

FEDERAL ASSISTANCE TO PRIVATE FOREST LANDOWNERS

Senator MCCLURE. I will submit some additional questions that probe what the effects of that will be in application and the cost to the taxpayers of this country in the loss of resources, because I think there will be a loss of resources greater than the amount of savings in the budgetary outlays.

You've focused on technical assistance.

In my judgment, drastically reducing technical assistance provided through the State forestry organizations to private landowners, emphasizing good management practices, and assistance to improve tree harvesting techniques, processing procedures, and waste wood utilization projects, is going to cost us in the long term.

And, Mr. MacCleery, perhaps I should address the question directly to you. Why are you proposing to effectively eliminate Federal assistance to private forest landowners?

Mr. MACCLEERY. Well, our feeling is that the Federal Government has a role in providing research and technology transfer services and that the States and the Federal Government cooperation should have

the role of getting that out to the landowners and, as you say, improve the scientific basis for activities on private lands.

It's a decision based on budget priorities and the deficits that we're facing. It's a tough decision, but it's one that we feel, given the other funding priorities of the administration, had to be made.

We're not deemphasizing the importance of the resources on nonindustrial private landowners to meet social needs and to meet national timber supply needs and needs for recreation and other uses. We feel that we need to reexamine the Federal role here.

John Crowell has a major initiative in which he has committed himself. This initiative is to seek a consensus among the State foresters and private industry and forestry consultants and public interest groups as to what needs to be done to improve assistance to small landowners and to redefine and make whatever transition is indicated by the data we have a smooth one.

We intend to convene some workshops with the major user groups, major interest groups to try to forge a consensus as to what areas need to be given priority. What is the appropriate State role, private role, and Federal role. These will be going on in the next few months.

The tax laws—reforestation tax credit, which was signed into law 2 years ago, also provides some incentives for private landowners to carry out reforestation activities, which didn't exist in the past.

Senator McCLURE. We did that, however. And I was involved in the passage of that legislation. We did that in recognition of the fact that we're not able to provide sufficient budgetary support for those activities. And we hoped that that would be an expansion of recognition, rather than an offset to direct expenditures.

If I read you correctly, you're saying, in effect, that the Federal Government has no stake in, no legitimate role in the protection and production of the private sector lands in this country.

Mr. MACCLEERY. No; I didn't mean to give that impression. I think the Federal Government does have a role and has a stake, and that role is——

Senator McCLURE. But it's a smaller one?

Mr. MACCLEERY. Well, it's not necessarily in direct grants which fund management activities—protection, suppression, and management activities on private lands.

We intend to try to resolve this issue among the various groups in the future. As a result of these meetings, the sessions that we're going to have, we may establish different priorities—I assume we will. This is where we're at this point.

Senator McCLURE. Well, I think you would agree, would you not, that we do generate a lot of improved management utilization concepts through our research programs?

Mr. MACCLEERY. I would agree with that, yes.

Senator McCLURE. Doesn't it make sense that we make that available to the private sector landowners through the State forestry involvement and the State forestry associations?

Mr. MACCLEERY. That's right. I feel the Federal Government has a role in assuring a smooth transfer of this research information to the States and to the users.

FOREST RESEARCH FUNDING

Senator MCCLURE. Well, it seems to me that while you say that, you've almost made it impossible to do it because of the drastic reductions in funding.

Look at Forest Service research.

You're, again, proposing a reduction in Forest Service research in fiscal year 1984. Last year, you requested a reduction from $112 to $98 million.

Congress funded research at a level of $105 million in fiscal year 1983.

This year, you are proposing a reduction from $105 to $100 million, or down about 4 percent.

In terms of personnel, this is a reduction of 165 full-time equivalents, a 7-percent reduction.

Chief, at some point, these reductions will severely damage the research program and, more importantly, the management actions that are based on that research.

How close are we to that limit?

RESEARCH CLOSURES

Mr. PETERSON. Mr. Chairman, that's a judgment question. We have attempted to reduce the impact by closing locations that were high cost, that had large fixed costs in buildings and other facilities, where we had very few scientists, so that we can keep as strong a program as we can.

We closed some locations last year. And this year we're proposing, in the 1984 budget, to close Reno, Nev.; Davis, Calif.; Sewanee, Tenn.; and to make a shift in Albuquerque—so that we're no longer supporting these research facilities and we will move those people into other space.

We're trying to make these reductions in a way that we minimize the impact on the scientific force that we can bring to bear on research problems.

We've also reassigned people to the higher-priority locations that we've kept open.

We're doing our best to keep as strong a program as we can while we make these reductions.

Senator MCCLURE. Well, as you indicated, you are proposing to close those three research stations.

The one at Reno studies management of the pinon juniper.

The one at Davis conducts field evaluations of insecticides.

The one to be closed at Sewanee works on integrated resource management, including research on hardwood management.

Will the research of the types I have identified be conducted at other labs?

Mr. PETERSON. Yes; and at a reduced level.

But the research will not be terminated. The research on those kinds of activities will not be completely terminated. It will be reduced, and some people will be reassigned.

Senator MCCLURE. As I recall, you proposed last year to close the one in Reno.

Mr. PETERSON. That's correct.

Senator MCCLURE. And the Congress did not agree?

Mr. PETERSON. That is correct.

Senator MCCLURE. Do you expect the Congress to agree this year?

Mr. PETERSON. I would never predict what Congress would do, Mr. Chairman.

Senator MCCLURE. I thought maybe hope springs eternal. I thought maybe gray wisdom had descended on this body in the interim.

I note that you are proposing to terminate a research work unit at Boise relating to sylvicultural work on ponderosa pine and Douglas fir.

Will that research be transferred elsewhere or terminated?

Mr. PETERSON. I would ask Dr. Buckman to respond.

Dr. BUCKMAN. Mr. Chairman, a portion of that research will be transferred to our Moscow, Idaho, Forestry Sciences Laboratory.

Senator MCCLURE. A portion of it?

Dr. BUCKMAN. Yes, sir.

Senator MCCLURE. Will the personnel be lost, or will they be reassigned to other research projects?

Dr. BUCKMAN. We anticipate a loss of two people with that termination.

Senator MCCLURE. Well, I will submit some further questions with respect to the research program, but let me switch now to timber sales.

TIMBER SALE PROGRAM

Chief, your fiscal year 1984 budget request funds for a timber sales program of 11.6 billion board feet, an increase of 600 million board feet over the fiscal year 1983 program of 11 billion board feet.

I understand that you have estimated housing starts in fiscal year 1983 at 1.2 million and at 1.6 million in fiscal year 1984. Apparently, the October through January annualized rate is at 1.2 million starts. So your fiscal year 1983 estimate looks pretty good to date.

Do you have any second thoughts on your fiscal year 1984 assumptions on housing starts?

Mr. PETERSON. They are about in the center of all the projections that we have seen. There are some projections that are lower than that, and there are some that are higher, but those numbers seem to be fairly close to the consensus on what housing starts will likely be in 1984.

TIMBER SALE LEVELS

Senator MCCLURE. How much timber comes from Federal lands, from the national forest system lands, for every additional one-tenth of 1 million housing starts?

Mr. PETERSON. Well, roughly, the national forests provide about 25 percent of the sawtimber used for housing in the United States. I would have to do a little calculation to determine that 1 percent.

Senator MCCLURE. Maybe I can ask it a different way. If housing starts were, say, at 1.9 million for fiscal year 1984, we would have to provide for what level of sales and harvest activity on the forest lands?

Mr. PETERSON. With the amount of timber we have under contract, we would probably be OK for that 1 year, but we would certainly have to have additional timber sales in the out-years, in 1985 and beyond.

Senator MCCLURE. You could meet 1.9 million in 1984?

Mr. PETERSON. With the amount we have under contract now, yes, sir, for that 1 year, but we would certainly need additional timber sales in the out-years.

Senator MCCLURE. Then you could meet 1.6 million or less?

Mr. PETERSON. No, I think—as you know, Mr. Chairman, the timber that we sell in 1984 will actually be for housing in 1985, 1986, and 1987. So what we are trying to do is to provide enough in 1984, particularly in short term sales, to try to get that moving as housing starts pick up. And certainly we would expect a higher timber sale level in the out-years.

If we had projected, when this budget went together, that housing starts would be 1.9 million, we probably would have had a higher timber sale level in this budget.

DEFAULTED TIMBER VOLUME

Senator MCCLURE. Your sales level of 11.6 billion board feet includes 800 million board feet of defaulted sales to be reoffered.

What would it cost to prepare that 800 million board feet in new sales?

Mr. PETERSON. We have a chart that gives that in detail, Mr. Chairman, if I can give it to you for the record. It is actually $30,112,000.

Senator MCCLURE. You have actually decreased your new sales to be offered from 11 billion board feet in fiscal year 1983 to 10.8 billion board feet in fiscal year 1984. Why?

Mr. PETERSON. Mr. Chairman, when we put the budget together, we were looking at the total amount we thought necessary to keep the markets going or keep the industry going in 1984. We focused on the entire amount, including the 800 million board feet to be reoffered.

STATUS OF TIMBER SALE CONTRACTS

Senator MCCLURE. What is the overall status of sales contracts in the Forest Service today? How many have been extended at least once? How many of them are in default or potential default today? How many are eligible for further extension?

Mr. PETERSON. We have, I think, between 25 and 50 sales that are pending default. We have extended several thousand sales.

We have a few more that are eligible for extension, but many that are eligible for extension under current policy. This is because they had

to be sold before a certain date to be eligible for extension. There is not very many left that qualify for extension under the present policy.

Senator McCLURE. Could you provide for us a table showing the sales by region and the effects of these policies with respect to extensions, extensions once, those that are eligible for further extension, and also the volumes of timber involved?

Mr. PETERSON. Yes, sir, we will do that. The data that I have here says we have granted about 1,500 extensions in 1980 and 1981 and we have about 900 sales which expire by next March 31, that are eligible for extension. That will about exhaust those that are eligible for extension.

[The information follows:]

TIMBER SALE EXTENSIONS

The attachments provide data for timber sale contract extensions as of April 30, 1982, by the various extension authorities.

On November 26, 1982, the Forest Service authorized extensions for certain National Forest timber sales because of the continuing decline in market conditions for lumber and plywood from early 1981. The waiver of diligent performance requirements for extension applied to sales made prior to 1982 which were scheduled to expire prior to the end of the 1983 normal logging season. The extensions could be until December 31, 1983. The waiver did not apply to sales with significant volumes of rapidly deteriorating timber.

About 120 timber sales with approximately 205 million board feet have been extended until the end of the year. These sales would have expired on March 31, 1983. Almost all of the sales volume are from Washington, Oregon, California, and the Southeastern part of the United States. The other sales with March 31, 1983, termination dates were either completed before the termination date or defaulted.

The data for the current extensions through April 30, 1983, is in the final stages of completion. We will provide this data when completed as requested.

CONTRACTS EXTENDED

The following tables provides the number of contracts extended by category by volume and by Regions:

I. Timber Sale Contracts Extended Under the Current Extension Policies - Through April 30, 1982.

A. Under Terms of First Waiver of Extension Criteria - May 23, 1980.

Region	No. of Sales Through 4/30/82	Remaining Volume MBF	Remaining Value $
1	61	88,108	5,646,183
2	37	36,679	1,153,996
3	4	1,457	127,171
4	48	37,210	1,053,363
5	32	76,332	12,126,948
6	162	104,234	19,024,505
(6E)	(50)	(32,785)	(2,541,982)
(6W)	(112)	(71,449)	(16,482,523)
8	47	32,761	3,076.739
9	186	60,689	1,086,370
10	0	0	0
TOTAL	577	437,470	43,295,275

B. Under Terms of Second Waiver of Extension Criteria - October 15, 1981.

Region	No. of Sales Through 4/30/82	Remaining Volume MBF	Remaining Value $
1	21	39,933	2,304,593
2	31	42,143	811,621
3	14	18,964	1,227,405
4	43	47,326	1,485,084
5	83	292,536	42,672,414
6	321	737,640	161,441,166
(6E)	(85)	(225,346)	(30,753,090)
(6W)	(236)	(512,294)	(130,688,076)
8	36	39,430	4,950,086
9	121	46,497	626,233
10	0	0	0
TOTAL	670	1,264,469	215,518,602

C. Contracts Under "B" above which were also under "A" above.

Region	No. of Sales Through 4/30/82	Remaining Volume MBF	Remaining Value $
1	6	3,779	154,383
2	5	5,432	138,683
3	1	80	3,800
4	12	7,497	111,183
5	6	18,066	4,483,640
6	46	54,087	13,115,247
(6E)	(15)	(26,491)	(3,644,703)
(6W)	(31)	(27,596)	(9,470,544)
8	7	4,846	291,061
9	58	24,041	259,894
10	0	0	0
TOTAL	141	117,828	18,557,891

CONTRACTS AWARDED

The following table provides the number of contracts awarded in 1981 that awarded at appraised value, by volume and by Region:

II. FY 1981 Timber Sale Contracts which were awarded (and sold) at the Advertised Rate.

Region	No. of Sales	Volume Sold MBF	Tract Value $
1	32	74,528	1,488,167
2	40	126,773	317,636
3	21	95,272	4,912,640
4	82	92,269	1,746,595
5	33	45,608	789,953
6	78	161,216	6,027,058
8	48	35,002	2,365,017
9	113	77,708	2,630,231
10	24	23,173	644,042
TOTAL	471	731,549	20,921,339

Senator McCLURE. Would I be correct to say that the ones that will expire in March 1984, about 800, that are not eligible for extension at this time and that there will be 900 expiring in December 31, making a total of about 1,700 sales expiring in the next year without further relief?

Mr. PETERSON. Yes, sir, that is essentially correct.

Senator McCLURE. As I understand it, you have a substantial volume of timber under contract that was bid so high that it is conceded to be unworkable.

How much is that estimated to be?

Mr. PETERSON. Mr. Chairman, we think that at least 8 to 10 billion of the 36 billion feet under contract is unlikely to become economically available under reasonably foreseeable markets. That number could be larger or smaller, depending on what markets actually turn out to be.

Senator McCLURE. So that is somewhere between 25 and 30 percent, or in excess of 30 percent of the total?

Mr. PETERSON. That is correct.

Senator McCLURE. Well, you have 8 to 10 billion board feet in that category. You expect that there will be 800 million board feet defaulted in fiscal year 1984?

Mr. PETERSON. Defaulted by 1984 that could be reoffered in 1984. Some of that would be in 1983.

Senator McCLURE. All right, in 1983 and in 1984.

So you only expect 10 percent of the total that is unworkable to be defaulted?

Mr. PETERSON. That is correct.

Senator McCLURE. How many defaults have you had so far?

Mr. PETERSON. I believe that—as I indicated—there is 25 to 50 pending.

Senator McCLURE. But only pending? You have had no defaults yet?

Mr. PETERSON. No; we have had a few that have actually run past the final date, and there has been, as I understand it, about 100 million board feet defaulted since 1980.

Senator McCLURE. That has actually been defaulted, 100 million?

Mr. PETERSON. That has actually been defaulted, right.

Senator McCLURE. Do you know offhand the volumes in those that are pending default?

Mr. PETERSON. In calendar year 1983—there is probably about 1 billion board feet in 1983; in 1984, about 2.1 billion board feet.

Senator McCLURE. In the face of those expected defaults, is the 800 million board foot default estimate likely to be high or low?

Mr. PETERSON. I think that number is reasonably good because we are saying that they would have to default early enough until we could reoffer them in fiscal 1984.

So if the sale doesn't default until, say, March 1984, we might not be able to reoffer it in 1984.

Senator McCLURE. Well, you say you have had about 100 million defaults already. You expect about 1 billion in 1983. So you are at 1.1 billion board feet that you expect to be defaulted by the end of fiscal year 1983, and yet you expect only an 800 million board foot reoffer.

Wouldn't you be able to expect to reoffer at least as much as you expect to be defaulted?

Mr. PETERSON. Mr. Chairman, that default figure was for calendar year 1983. Some sales will require some reworking. Some will not require much reworking.

We made that estimated 800 million board feet some months ago. It may well be that we can go above that, but that was our best estimate at that time.

That number is soft because we are trying to guess what companies will actually do.

TIMBER HARVEST LEVELS

Senator McCLURE. If the timber in the housing market picks up substantially this summer, will that translate quickly into additional harvest volumes, or is there a substantial volume in mill inventory or wholesale pipelines?

Mr. PETERSON. The inventory at the present time is very low, Mr. Chairman, so we would expect the housing starts to be reflected quite rapidly in additional harvest. In fact, we already have some additional harvest picking up throughout the United States right now, based on the numbers in January.

Senator McCLURE. If housing starts pick up and that activity continues through 1983 and the expectation would be that it would through 1984, you would probably actually have an increased harvest level over the actual consumption of housing starts, wouldn't you, and you would have to restock inventories and rebuilt the pipelines?

Mr. PETERSON. I think that is very likely, that there will be some buildup in inventory based on anticipated future housing starts.

Senator McCLURE. If the market does rebound substantially, will that decrease the likelihood of 800 million board feet of defaults that can be reoffered?

Mr. PETERSON. It could. As I mentioned, that number is a relatively soft number.

Senator McCLURE. If the demand goes up and the defaulted volume goes down, is there a need for more new sales to be mixed in with existing sales?

Mr. PETERSON. That could be the situation, Mr. Chairman, yes.

Senator McCLURE. What will happen if interest rates continue down another point or two?

Mr. PETERSON. If interest rates go down another point or two, we would expect housing starts to go up.

Senator McCLURE. How much?

Mr. PETERSON. I wish I had a better crystal ball, but I think——

Senator McCLURE. Well, you got a whole room full of people and a whole anxious public out there waiting for the answer to this question so they will know how to go out and invest.

Mr. PETERSON. We would think that looking at the housing start projections that have been made by experts throughout the country, they are showing about a 20-percent error of possible projections. In other words, the 1.3 million might be 1.5 and the 1.6 could be 1.8 million if the interest rates do go down another point or two.

Senator McCLURE. The last figure, if I recall correctly, for February is 1.76 million.

Mr. PETERSON. That is correct.

Senator McCLURE. On an annualized basis.

Mr. PETERSON. That is correct.

MILL CAPACITY

Senator McCLURE. At what level of harvest nationally does mill capacity become a bottleneck?

Mr. PETERSON. Probably at a maximum forest sale level of somewhere above 12 billion board feet, from what we know in the past. It is probably not just mill capacity; it is probably other factors of getting it out of the woods and other things in the system, but probably around 12 billion or so.

Senator McCLURE. And if you relate that to housing starts, at about what level?

Mr. PETERSON. Probably 1.7 or 1.8, thereabouts.

Senator McCLURE. And if the housing starts of February at an annualized rate are met, we are then right at that bottleneck level?

Mr. PETERSON. I don't think we would be there very much next year because of the volume under contract, but we would certainly get there fairly fast.

Senator McCLURE. Well, volume under contract relates to sales rather than to mill capacity?

Mr. PETERSON. That is right, but there is enough sales out there and they could, for a short period of time, pick up additional volume from those under contract.

Senator McCLURE. If they have mill capacity?

Mr. PETERSON. If they have mill capacity, yes.

Senator McCLURE. If they don't have mill capacity, that is a real bottleneck?

Mr. PETERSON. That is right.

Mr. MACCLEERY. Mr. Chairman, if I might make a comment on that.

The last time we had highs in the market, 1977–78, the mill capacity for sales—for mills processing national forest timber was not met, primarily because of the price of the timber under contract, and we are projecting that even with the price of timber currently under contract that even at housing start levels as those predicted, 1.7, 1.8 million, that there will still be a significant amount of high priced timber under contract, and they won't be able to be operated even at those rates.

So it makes it even more important to keep the sales level of currently offered sales high and not rely on the expectation that because the timber is under contract that it is going to be utilized for a booming housing market.

Senator McCLURE. Has mill capacity been permanently reduced during the past 4-year slowdown?

Mr. PETERSON. I don't think significantly. There has been some reduction, but there has also been some additions. I do not think mill capacity in total has been that much affected.

Senator McCLURE. Do you think all the mills that have closed are going to reopen?

Mr. PETERSON. There will be some that probably won't.

Senator McCLURE. If they don't, then do you believe the additions to mill capacity would offset those that will not reopen?

Mr. PETERSON. I don't know. I simply don't know the answer to that.

Senator McCLURE. I am really concerned because if we go into a period of relatively good economic activity, as many people are now forecasting if interest rates stay down, we have had a backlog of housing demand that has been unfilled and unmet, largely because of high interest rates. If those interest rates come down and stay down, there will be a surge in housing demand.

Mr. PETERSON. Right. There is an apparent tremendous pent-up demand for housing with the number of families that are reaching the age when they would normally buy houses. So the question of response of all these mills that have closed would seem to depend on whether it is seen as a permanent turnaround or whether it is seen as a temporary turnaround.

Senator McCLURE. Well, I am concerned about mill capacity as well.

Mr. PETERSON. Yes, sir.

Senator McCLURE. Because our experience has been that we have gone as high as 2 million housing starts and met demand, but with a tightening of supply and an increase in price.

Mr. PETERSON. That is correct.

Senator McCLURE. But that was 2 million housing starts when the pipeline of inventory was already full.

Mr. PETERSON. Yes.

Senator McCLURE. The pipeline is empty. The inventories are low. If we get up to above 1.75 million, I believe you will run into mill capacity and industry capacity shortfall.

Mr. PETERSON. I think we will also run into situations where the mill simply won't have logs because filling the log supply needs to be done this summer. If the apparent housing pickup does not take place this summer and we should get a splurge next spring, it may well be that logs will be the scarce commodity because of the difficulty of getting logs during the wintertime.

Senator McCLURE. Do you have any plans to address the question of the inoperable contracts that need extensions?

You have identified the fact here several times in several different ways, that a lot of that sales volume out there couldn't be operated even if there is the demand in housing starts simply because of price.

Mr. PETERSON. We will complete, hopefully within the next week or so, an analysis of several different alternatives for dealing with the problem.

Senator McCLURE. Well, I am concerned for another reason as well, and that is that it relates to what I was just discussing in terms of industry capacity.

Mr. PETERSON. Yes, sir.

Senator McCLURE. We have a number of these mills that are faced with defaults simply because they cannot operate, and they go out of business. Even though the plant facility is still there, it doesn't turn on again overnight.

Mr. PETERSON. Right.

Senator McCLURE. And we could very well be contributing to the stringency of the bottleneck and thus driving prices up.

Now that may help in terms of the operability of some of these high price contracts, but I am not sure that that is the kind of policy we would want to construct and pursue on purpose.

Mr. PETERSON. We would agree with that assessment, Mr. Chairman.

Senator McCLURE. I hope you will take a close look at that and very quickly, because there are some of those that are—as you know, the concerns the chairman of the full committee, Senator Hatfield, has expressed a number of times about the problems in his region on the west coast.

Mr. MACCLEERY. We are very aware of the problem that this situation is creating, and it is a very high priority. We are looking at the existing information—there has been a major study of this—to really see what is out there, what we have, what might likely happen under various housing starts, and to look at options and ways that we might resolve this, either administratively or through legislation.

This is a very high priority for the Department.

Senator McCLURE. Even if housing starts move up, there will still be a period of time in which there is real economic distress in that region.

Mr. MACCLEERY. That is correct.

Senator McCLURE. That would not be ended simply by the change in the number of housing starts and the activity in the market?

Mr. MACCLEERY. That is correct. We have a large backlog of high price sales and just the physical ability or capacity to operate these under the current contract terms is a serious problem and one that we are trying to get a handle on.

Senator McCLURE. As you would know, Senator Hatfield and I worked together over a long period of time to try to find a solution to that problem. The legislation which he has introduced now twice, which

I have cosponsored twice, seems to us to be a reasoned and measured response to that problem.

I really wish the administration could see fit to get out of the way; if they won't help, at least stop obstructing.

I understand that that legislation is not without problems, and I understand that it is not without some doubts within the industry as well as within the administration, but while we are all doubting and waiting, other people are being hurt very badly, and I think that could have implications for the economic recovery.

One of the reasons we are having economic recovery is the decline in the CPI, inflation rate.

Mr. MACCLEERY. Right.

Senator MCCLURE. That keeps interest rates down and helps stimulate the recovery. If we take actions here that have the effect of reducing mill capacity, creating artificial shortages within the industry, driving prices up, you will exacerbate the problem of the economic recovery and might even contribute to an abortion of that recovery.

Mr. MACCLEERY. Certainly true. The housing industry has been one of the main industries which has historically led the country out of recessions, and we certainly would not like timber prices to be a factor in shunting off that recovery if it were to happen.

Senator MCCLURE. I am sure you wouldn't, and we wouldn't like it either. I don't say that you would like it. It just seems to me that while we are searching for a solution, the conditions are not getting better. And while we search for the perfect solution, we may help contribute to the failure to find the solution.

Mr. MACCLEERY. We put a high priority on this and should be ready to discuss what we have found and what our options and recommendations are within the next few weeks.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you very much, gentlemen, for your testimony today. I have a number of other questions, but time has run out on me, and I will submit the balance of the questions in writing.

There will be some others from the committee and from other Members of the subcommittee for a response in writing.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

HIGHWAY REVENUE ACT OF 1982

The Highway Revenue Act of 1982 (Gas Tax bill) increased your Forest Highway authorization level from $33 million annually to $50 million annually.

1. Question: Can you provide for the record your proposed allocation by district, forest and state, compared to the previous 5 years?

   Answer: Allocation of Forest Highway funds is distributed by formula from the Federal Highway Administration to the 41 States having National Forest System land. The distribution is currently made based on the old formula established in the regulations which give each State its share of funds based on the total National Forest System acreage and its assessed value of the land in the State to the national total. New regulations published in 1982 will change the forumula for distribution in 1984 to consider renewable resources and land use planning. The Forest Service is working with FHwA in identifying how the new allocation formula will be calculated. Enclosed is the distribution by State for FY 1983 reflecting the $50 million level authorized in the Highway Revenue Act of 1982. In the previous 23 years, the ratio of funds by State was the same but based on a program level of $33 million.

   Records are not kept on the distribution of Forest Highway funds by District and Forest. Yearly selection of the projects to be implemented in each State is accomplished through a tri-party agreement between the Forest Service, State Highway Commission, and the FHwA. The following is a State distribution for the past 5 years:

FOREST HIGHWAY ALLOCATION TO STATES

STATE	Each Year FY 1979 thru FY 1982	FY 1983
Alabama	91,664	138,026
Alaska	2,790,265	4,201,523
Arizona	1,801,789	2,713,097
Arkansas	435,162	655,259
California	4,584,379	6,903,065
Colorado	2,298,816	3,461,510
Florida	185,952	280,003
Georgia	112,777	169,817
Idaho	3,259,193	4,907,626
Illinois	36,893	55,553
Indiana	21,458	32,312
Kentucky	65,802	99,063
Louisiana	73,865	111,224
Maine	11,989	18,053
Michigan	343,495	517,227
Minnesota	442,690	666,593
Mississippi	151,006	227,382
Missouri	163,604	246,352
Montana	2,551,647	3,842,217
Nebraska	29,881	44,995
Nevada	574,228	864,660
New Hampshire	171,057	257,574
New Mexico	1,282,701	1,931,465
North Carolina	197,223	296,974
North Dakota	114	171

Ohio	17,530	26,396
Oklahoma	22,077	33,243
Oregon	4,409,680	6,640,007
Pennsylvania	85,435	128,645
South Carolina	104,937	158,013
South Dakota	250,788	377,631
Tennessee	107,307	161,580
Texas	101,332	152,583
Utah	1,063,069	1,600,747
Vermont	57,274	86,242
Virginia	208,158	313,440
Washington	2,224,875	3,350,172
West Virginia	126,323	190,214
Wisconsin	179,013	269,555
Wyoming	1,365,524	2,056,178
Puerto Rico	9,028	13,593
SUBTOTAL	32,010,000	48,200,000
FS ADMIN.	330,000	500,000
FHWA ADMIN.	660,000	1,000,000
SUBTOTAL PROGRAM	33,000,000	49,700,000
FOREST HIGHWAY NEEDS STUDY	-0-	300,000
TOTAL PROGRAM	33,000,000	50,000,000

REFORESTATION AND TIMBER STAND IMPROVEMENT

2. Question: Will additional investments in reforestation and TSI improve our ability to maintain and expand current timber sales levels by increasing the allowable cut?

   Answer: If the work were never to be done, the answer is definitely "yes." If the work were to be done in FY 1985 rather than FY 1984, the answer is still "yes," but the benefits would be from obtaining the additional growth a year sooner. This growth is estimated to be 12.6 million board feet.

3. Question: Have you given adequate weight to those considerations in developing your FY 1984 Budget request?

   Answer: Yes. For example, we are trying to finish up our backlog acres in the most cost-effective manner. We have taken into consideration the amount of acreage that needs to be reforested annually and the need to limit Federal spending.

You requested funds for 176,000 acres of reforestation but the Department and OMB reduced that to the current proposal of 134,000 acres.

4. Question: Why? What was their rationale?

   Answer: The overall rationale is to try to maintain total expenditures at the FY 1983 level. Since reforestation is a fairly expensive item, this reduction helped to meet the overall Federal budget objectives.

5. Question: What is the site productivity class for the 42,000 acres cut out?

   Answer: Our direction to the field is to concentrate their reforestation effort on the most productive sites with the most

cost-effective acres available. The FY 1984 program contains acreage that ranges from a site productivity class of 50 to 120 cubic feet. The majority of this 42,000 acre decrease would probably occur in the 50 to 84 cubic foot productivity class.

The OMB raised your TSI proposals from 160,000 to 188,000 acres.

6. Question: Why? What was their rationale?

Answer: TSI is very labor intensive, is relatively low in cost per acre, and has a high benefit. Activation of the Reforestation Trust Fund in 1983 and the requirement to spend all available receipts in 1984 gave us an opportunity to expand this labor-intensive program.

INSECT AND DISEASE SUPPRESSION

Last year, the Congress provided $8,000,000 for insect and disease suppression on Federal lands. This was, I believe, an increase of about $4 million over the budget and was intended to provide what an average year would require. On January 28, you provided information in a letter to the Committee that the "anticipated needs" for suppression activities on Federal lands totaled $18,778,787 for Forest Service lands and another $2,056,550 for Department of the Interior lands.

7. Question: What kind of projects do not get funded?

Answer: Within the funds provided by Congress for 1983, the highest priority Federal, State, and private suppression needs were met. The projects which did not get funded included:

- Western spruce budworm, dwarf mistletoe, and bark beetle suppression or prevention projects on Federal lands which could be deferred.
- Western spruce budworm and bark beetle suppression or prevention projects on private land intermingled with Federal land which pose no immediate threat to Federal land or where timber values are low.
- Spruce budworm in Maine on State and private ownerships.
- Several insect and disease projects of local importance.

8. Question: Can we save money in the long run by spending more now?

Answer: Professional judgement concludes suppression of an entire outbreak at the earliest opportunity is usually most cost-effective. Untreated portions of an outbreak usually enlarge in size as well as intensity, resulting in greater resource losses and higher expenditures if priorities dictate the specific outbreak is to be adequately treated. Occasionally, newly expanding pest populations will collapse naturally before extensive resource damage is done. Thus, there is the risk that expenditures for early treatment of pest outbreaks will be unnecessary.

COOPERATIVE FIRE PROTECTION

As large as your proposed reductions are in pest management, they aren't the largest, either in percentage terms or in total. The entire State and Private appropriation is cut from $62.3 million to $25.1 million, a reduction of $37.2 million or -60%. Cooperative fire protection is cut $11.4 million (-79%) from FY 83 appropriations and forest management and utilization is cut $12.1 million (-72%).

The cut in fire protection is especially troublesome, especially when linked with your reduction proposed for insect and disease control.

9. Question: What kinds of benefits are we going to get in FY 1983 for the $14.4 million we appropriated?

   Answer: In 1983 the $14.4 million provides for technical assistance, fire protection evaluation, and financial assistance to the States. This level of funding provides for improved fire-fighting technology, State fire protection analysis, standardization of equipment and training to improve the overall performance of State fire protection organizations. The Forest Service has conducted an evaluation of the fire protection program, including an analysis of efficiency. New program objectives have been developed.

10. Question: Does this money keep local fire crews trained and available during the fire season? If so, how many?

    Answer: Funds support development, training and maintenance of State fire crews and their availability during the fire season. Each State has fire staffing guidelines for use of their resources, including crews. Federal dollars are intended to improve training, standardization and mobility of these crews across State boundaries. Program objectives in 1984 include the assessment of wildland fire protection needs, including the proper number of crews, for the most efficient use and management of these resources.

11. Question: Were they used in FY 1983? For what purpose?

    Answer: Fire crews were used in 1983 for wildfire suppression. Fire crews are for the purpose of providing initial attack on State fires and for reinforcement of fire suppression activities throughout the United States.

12. Question: Why, then, don't we want them again in FY 1984?

    Answer: Crews and other firefighting resources will be needed in 1984. The question is not if fire crews are needed but how many suppression resources are needed and what is the most efficient means of assuring that resources are available. The completed fire protection program analysis identifies the most cost efficient level of presuppression (which includes fire crews) and suppression and net resource value change.

You state that the Forest Service has an "operational evaluation tool which uses the cost plus net (resource) loss concept to incorporate economic efficiency into fire management decisions." You go further to state that "this same process has been adapted to assess the overall efficiency of fire protection on State and private lands, and to assess the efficiency gains of Forest Service participation in such fire protection."

13. Question: Do I take it, then, that the funding reduction proposed of $11.4 million will result in an additional resource loss of less than that amount? Isn't that what has to happen in order for your FY 1984 Budget proposal to be judged "economically efficient?"

    Answer: The statements on evaluation tools and efficiency refer to processes and analyses completed for the fire protection program in 1983. The funding reduction was not based on such economic efficiency analysis, but rather the view that the historical process of grants distributed among the States by formula was an inefficient

means of improving wildland fire protection. The new analytical tools will permit specific targeting of Federal funds for the purpose of maximizing the efficiency and adequacy of fire protection and reducing overall resource losses. The reports are available.

FOREST MANAGEMENT AND UTILIZATION

You have also requested a reduction in the management and utilization cooperative program, down from $16.8 million in FY 1983 to $4.7 million in FY 1984. One of the highest priority activities we fund in this activity is the completion of the State Forest Resource Plans. We understand that about 13 states completed these plans in FY 1982 and another 7 will complete these in FY 1984.

14. Question: How many will be completed in total through FY 1984?

Answer:
- Plans completed as of March 15, 1983 = 13
- Total plans expected to be completed by the end of FY 1983 = 38
- Total plans expected to be completed by the end of FY 1984 = 48

15. Question: Does the Forest Service see this as an ongoing planning program that needs annual funding support or is it viewed as a job of producing an initial plan and then terminating funding?

Answer: State forest resources planning has been developed by the Forest Service in cooperation with the National Association of State Foresters. The Planning Assistance program is a continuing effort to strengthen State planning capabilities. This ensures that reliable data developed through State forest resources planning is available for preparation of the Resource Planning Act program and other Federal planning processes.

The States are rapidly achieving the goal of completing "first generation" State forest resources plans. However, both the States and the Forest Service recognize the need to improve the overall quality of subsequent generations of plans and their supporting analysis. The States are developing the skills necessary to demonstrate economic and social benefits of forestry program alternatives. New skills are being developed to ensure future plans will serve as creditable guides for the investment of public and private funds in forest resources development.

Completion of "first generation" State forest resources plans is viewed as a significant, but preliminary stage in the development of State forest resources planning capabilities. It is not the culmination of the planning effort.

BOUNDARY WATER CANOE AREA

16. Question: How long did the BWCA legislation foresee the Forest Service needing to continue grants to Minnesota to support intensified forest management to offset the withdrawal provisions of the legislation?

Answer: P.L. 95-495 authorizes, but does not require, a grant to the State of Minnesota through 1990 for the development of renewable resources on State, county and private lands.

17. Question: Why is the Forest Service proposing to eliminate that funding?

Answer: A major goal of the Administration is to reduce Federal involvement in activities that are more properly administered by State and local governments. The Federal Government's role in domestic programs is shifting with the emphasis of proposing a more natural sorting out of fiscal and program responsibilities among levels of government. With this shift, all the cooperative programs are reoriented toward the elimination of Federal financial assistance.

18. Question: How far has the State been able to go in offsetting the impact, in terms of allowable cut effects of reforestation and TSI investments?

Answer: Intensive forest management to offset impacts from the reduction in timber harvesting associated with the Boundary Waters Canoe Area Wilderness legislation are best viewed in short- and long-term results. Based on program evaluations, Minnesota's Forestry Intensification Plan has been effective in immediately placing more timber into the market and is achieving the goal of offsetting impacts associated with land taken out of production.

The State has initiated their first comprehensive inventory of State and county forest land. This quantifies and locates existing resources. They have also completed a comprehensive forest road inventory and a State Forest Road Plan to provide a basis for accessing previously unmanaged State lands. The State forest road and bridge construction/reconstruction/maintenance accomplishments of the past three years have opened thousands of acres for harvest and will allow access for further management to improve the long-term productivity of these lands. Specific accomplishments from 1980 through 1982 include:

Reforestation	39,826 acres
Timber stand improvement	23,349 acres
Seedling production	56 million seedlings

FORESTRY INTENSIFIED RESEARCH

19. Question: Why is the Forest Service continuing to reduce FIR funding (p. 48 of the Notes)? Please provide a 5-year projection of funding needs.

Answer: The Pacific Northwest Forest and Range Experiment Station has proposed modest reductions in all Station research programs in response to a reduced Forest Service budget request for 1984. The adjustment in the Fundamental Phase of the Forestry Intensified Research (FIR) program down to $900,000 represents an equitable reduction relative to other Station programs.

During the original planning process in 1978, the FIR program was designed to be a 10-year program with an annual cost of $3,000,000. At the present level of funding, the FIR program will be able to address the highest priority problems as identified by the FIR Advisory Council and other land managers in southwestern Oregon.

RESEARCH CLOSURES

20. Question: Can you provide for each research work unit and research lab to be terminated, a complete description (FTE, cost, recent publications, etc.) and then rank each one in its priority value to the Forest Service?

Answer: The priority, number of positions, and fiscal year 1983 research program funding for each of the research work units proposed for termination are as follows:

Priority	Research work unit and location (thousands of dollars)	No. of positions	FY 1983 funding
1	Ecology and management of pinyon-juniper woodlands, Reno, NV	3	149
2	Silviculture of Rocky Mountain Douglas-fir and ponderosa pine, Boise, ID	2	137
3	Pest impact assessment technology, Athens, GA	0	303
4	Utilization and characteristics of southern timber, Athens, GA	10	328
5	Wood products research, Athens, GA		
6	Combustion processes in wildland fuels, Macon, GA	14	655
7	Forestry weather data systems, Macon, GA	8	376
8	Dispersed forest recreation in backcountry areas, Durham, NH	2	118
9	Fire science adaptations for the Southeast, Macon, GA	6	277
10	Hybridization and evolution of forest trees, Berkeley, CA	1	85
Low	Biological diversity in southeastern forests, Durham, NC	1	90
	Genetic improvement of northeastern trees, Durham, NH	6	309
	IPM systems for forest insects and diseases, Berkeley, CA	1	85
	Integrated resource management for the Cumberland Plateau, Sewanee, TN	10	314

In addition, higher priority research conducted by two research work units can be effectively combined with other existing units with some savings to the government. These research work units are:

Research work unit and location	No. of positions	FY 1983 funding (thousands of dollars)
Biology and control of diseases in California forests, Berkeley, CA	2	246
Field evaluation of chemical and biological insecticides, Davis, CA	7	398

A listing of publications for fiscal years 1981 and 1982 for each of the units proposed for termination follows:

Genetic improvement of Northeastern Trees, Durham, NH

Demeritt, M. E. Jr.
50 years of hybrid poplar research in the Northeast. 27th Proc. Northeastern For. Tree Imp. Conf. 1981: 166-183.

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Growth of hybrid poplars in Pennsylvania and Maryland clonal tests. For. Serv. Res. Note NE-302. 1981: 2 pp.

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The Northeast pitch x loblolly pine hybrid program. In Res. Needs in Tree Breeding, Proc. 15th North American Quant. For. Gen. Group Workshop. Coeur d'Alene, Idaho. 1981: 71-79.

Garrett, P. W.
Investigations of Pinus Subsection Strobi Loud in eastern United States. Proc. XVII IUFRO Congress, Kyoto, Japan; 1981.

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Implications from the growth of Pinus rigida and planted P. strobus in the Pine Plains of southern New Jersey. Bull. Torrey Bot. Club, 108(1), 1981: 85-94.

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Pitch pine. in For. Cover Types of the United States and Canada. Soc. American Foresters, F. H. Eyer, Ed. 1980: 49-50.

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White-pine weevil attack: Susceptibility of western white pine in the Northeast. For. Serv. Res. Paper NE-483; 1981: 3 pp.

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Relationship between cortical monoterpenes and susceptibility of eastern white pine to white-pine weevil attack. For. Sci. 26(4): 581-589; 1980.

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Analyses of susceptibility of eastern white and other Haploxylon pines to white-pine weevil attack in the Northeastern United States. Proc. XVII IUFRO World Congress, Kyoto, Japan; 1981.

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Mini-tapping sugar maples for sap-sugar testing. Res. Note NE-305. Broomall, PA: U.S. Department of Agriculture, Forest Service, Northeastern Forest Experiment Station; 1982. 4 p.

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Gerhold, Henry D.; Sacksteder, Christopher J.
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Karnosky, David F.; Myers, Ted R.
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Provenance and family variation in response of Fraxinus americana and F. pennsylvanica to Ozone and Sulfur Dioxide. Phytopathol. 71(8): 804-807.

Steiner, Kim C.
Developing tree varieties for urban soil stresses. In: Proceedings, Metro. Tree Impr. Alliance (METRIA); 1980 June 18-20; Rutgers, NJ: The State University of New Jersey Press; 1980: 57-69.

Steiner, Kim C; Townsend, Alden M.
Influence of nursery practices and tree improvement on urban forests. In: Proceedings, First National Urban Forestry Conference; Washington, DC; 1980: 517-522.

Valentine, F. A.; Carlson, K. D.; Westfall, R. D.; Manion, P. D.
Testing verticillium wilt resistance in urban norway maples. J. Arboric.: 7(12): 317-325; 1981.

Biological Diversity in Southeastern Forests, Durham, NC

Boyce, S. G.
Predicting multiple benefits from silviculture. In: Proceedings IUFRO/MAB conference: Research on multiple-use of forest resources; 1980 May 18-23; Flagstaff, AZ; Gen. Tech. Rep. WO-25. Washington, DC: U.S. Department of Agriculture, Forest Service; 1980: 46-50.

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OREGON RANGE EVALUATION PROJECT

You are proposing to terminate the Oregon range evaluation project in LaGrande, Oregon. As we understand this project, most of the inventory and data collection work has been done and it is now a matter of evaluating resource condition responses to various management prescriptions.

21. Question: Is that essentially correct?

    Answer: The development work associated with the Oregon range evaluation project has been completed. The primary remaining work, originally scheduled to continue through FY 1985, is the testing and evaluation of the response of six resource outputs to the established management strategies. With the $171,000 budgeted for Oregon range evaluation in FY 1984, we will discontinue data collection and reduce staff. The remaining staff will focus on analysis and reporting of existing data.

22. Question: If so, isn't the initial investment written off unless the follow-up work is carried out?

    Answer: No. Many positive benefits have resulted from the project. These benefits include 22 Coordinated Resource Management Plans, 21 Long-Term Agreements with ranchers, and approximately $1.8 million in range improvements on National Forest System and private lands. These actions represent a positive demonstration of what state of the art range management practices can accomplish. Forest management practices installed on non-industrial private lands are excellent demonstrations that serve as a motivating factor to encourage other landowners to undertake similar prescriptions. We will continue to build improved range and forest management programs on the National Forests in the Pacific Northwest based on the results observed in the project.

23. Question: What other States does this research impact?

    Answer: Findings are directly applicable in Washington, Oregon, Idaho, northern California, and northwestern Nevada. The principles and models that will be developed as a result of this program will be applicable throughout the western States.

DEFAULTED TIMBER SALES

Your sales level of 11.6 bbf includes 800 million board feet of defaulted sales to be reoffered.

24. Question: What would it cost to prepare that 800 million board feet in new sales?

    Answer: It would cost $34.6 million to prepare 800 million board feet in new sales.

TIMBER SHELF VOLUME

25. Question: Does the Forest Service have a substantial volume of timber sales prepared and on the shelf? How much?

    Answer: At the end of FY 1983 the shelf volume is expected to be 900 million board feet and at the end of FY 1984 it will be 1,500 million board feet.

TIMBER SUPPORT

26. Question: Why does minerals support go down from $1.2 million in 1983 to $1.0 million in 1984?

Answer: The timber sale program will need $200,000 less geologic support in gathering, interpreting and reporting geologic factors that effect the design, construction and maintenance of Forest Service roads and bridges associated with the mix of timber sales that are proposed for FY 1985 and beyond.

27. Question: Why does land line location support go up from $17.8 million to $22.4 million?

Answer: The increased landline location funding for timber support is associated with an increased landline target. The fiscal year 1984 timber program has more landline location work per billion board feet than did the fiscal year 1983 program.

28. Question: Does this indicate a large backlog of unmet landline location needs or does it have more to do with per mile costs?

Answer: The increase is not indicative of backlog changes or increased cost per mile. We expect the fiscal year 1984 cost per mile to be equal to or slightly less than the fiscal year 1983 figures. The increase is a function of the specific sales included in the fiscal year 1984 timber program.

29. Question: Why does wildlife and fish support cost more than double (from $4.1 million to $8.6 million)?

Answer: The increase is in the timber support element which is needed to meet the requirements of a larger timber sales program. The timber sales program increases from 11.0 BBF in FY 1983 to 11.6 BBF in FY 1984. There is an additional support requirement for 1.5 BBF of sales preparation for volume that will be offered in FY 1985, and beyond.

30. Question: What values are added?

Answer: The value added based upon wildlife and fisheries support is better sale design and layout, decreased chance for successful appeals from outside interest groups and an estimated recreational value for improved wildlife habitat of approximately $34,000,000.

31. Question: Likewise soil and water goes up 60%, from $5.6 million to $8.7 million. Was soil and water underfunded in FY 82 and FY 83?

Answer: For several years, particularly in FY 1983, it has been necessary to reduce soil and water inventory and improvement work to provide adequate support for timber and other resource programs. Reductions in inventory and improvement work are also necessary in FY 1984 to fully fund support activities.

The actual increase for soil and water support to timber for FY 1984 is $1.2 million. This was necessary to adequately fund the increase in advanced sale preparation and harvest administration in FY 1984. The additional increase of $1.9 million indicated by the figures shown in our budget submissions for FY 1984 reflects the amount of timber harvest implementation support previously included in soil and water administration, but not clearly identified as support.

TIMBER HARVEST COSTS

32. Question: Why is harvest administration cost increasing from $36.6 million to $51.6 million (+$15 million or $7.5 million per one billion board feet of additional harvest volume)?

Answer: Harvest administration costs are not $7.5 million per 100 Mbf for the additional harvest volume. The additional harvest volume is projected to be 2 billion board feet and the increased cost is $15.0 million. This is $750 per 100 Mbf.

This increased cost is due to the expected increase of 2 billion board feet of harvest volume, inflation, the increased complexity of administering contract defaults, and the inclusion of $1.4 million to implement the Wood Residue Act program which was not funded in 1983.

33. Question: Can you provide historical data (5 years) supporting harvest costs per 100 Mbf?

Answer: Fiscal year comparisons for harvest administration costs per 100 Mbf follow:

	$ per 100 Mbf
FY 1980	348
FY 1981	422
FY 1982	377
FY 1983	418
FY 1984	390

OREGON AND CALIFORNIA GRANT LANDS

34. Question: For the Oregon and California grant lands, how many dollars will BLM transfer to the Forest Service in FY 1984?

Answer: The Bureau of Land Management has budgeted $2,655,000 for transfer to the Forest Service for the management and administration of Oregon and California grant lands within the National Forests.

35. Question: How much timber volume will the Forest Service offer in the O & C lands?

Answer: The O&C funds that will be transferred from BLM provide for the preparation and offer of 36 million board feet of new sales in FY 1984 from O&C lands.

36. Question: Will the Forest Service use National Forest System appropriated funds to supplement O & C funds transferred from BLM? If so, how much?

Answer: We have not budgeted appropriated National Forest System funds for activities on O&C lands. We are working with the Bureau of Land Management (BLM) and the Department of Agriculture to more fully recognize the total costs for the preparation and administration of a timber sale of approximately 200 million board feet from O&C lands as directed by Congress in the final FY 1983 Appropriation Act. This direction came after the FY 1984 budgeting process for the Forest Service and BLM had been completed.

HELI-STAT

37. Question: Of the money budgeted for Heli-Stat, when will the $500,000 be obligated for the actual ferrying to the west coast and when will the $500,000 be obligated for the construction of the west coast main base of operations?

Answer: Current plans call for completion of the Heli-Stat vehicle in August 1984. Following completion and delivery of the vehicle logging qualification, trials will be conducted at Lakehurst, New Jersey and a shakedown test on the Allegheny National Forest in Pennsylvania. If these tests are successful and are completed in the time scheduled, we will ferry the vehicle to the west coast in late spring or early summer 1985. As a result, we will not need to obligate the $500,000 for the west coast ferry in FY 1984. These funds will be needed to cover a portion of the cost growth discussed in the answer to the next question. Funds for the west coast ferry will be submitted in FY 1985.

There are no plans to construct a main base of operations on the west coast. Our plans are to use an existing site in a "benign weather" area in California, perhaps at an existing military installation. The old blimp hangers at Tillamook, Oregon are another possibility. The $500,000 will be used for acquisition, site preparation, set up, and operation of the facility.

38. Question: Can you provide a new schedule of events and costs?

Answer: The schedule recently developed by the Forest Service and the Navy lists five milestones or events leading to completion of the vehicle. These are (1) Completion of static tests, April 1983; (2) Completion of quad rotor tests, November 1983; (3) Completion of drive train bench tests, December 1983; (4) Completion of Heli-Stat vehicle tests, July 1984; and (5) Delivery of Heli-Stat vehicle to the Forest Service, August 1984.

Delays in completing construction have resulted in a projected $6.0 to $7.0 million dollar increase in the cost of the Heli-Stat vehicle. In order to minimize the cost growth of the total program, we have decided to substantially reduce the demonstration phase of the field tests in the West. Therefore, milestones following delivery of the vehicle will be (6) Allegheny test, March 1985; (7) Ferry to west coast, May 1985; (8) Wind river test, August 1985.

Current total estimated costs are $33.3 million. This includes $1.6 million of work for items that were not considered in making the original estimates. These changes were mainly safety items found to be needed as the project developed.

39. Question: What kind of crew training is possible for $2.0 million?

Answer: The planned crew training is assumed to cover two flight crews (command pilot, co-pilot and three flight engineers for each crew) and a single ground crew (key ground personnel).

The objectives of the training are to assure safe and effective conduct of all planned flight phases of the Heli-Stat program. Further, although some elements of the Heli-Stat system (helicopters and aerostat) have documented training requirements, the unique nature of the system will require many newly developed or modified procedures.

The training program for the flight crews is a mix of on-the-ground effort at Lakehurst, some simulation activity at NASA/Ames (buoyant-quad rotor simulator), and in-flight phases at Lakehurst. The selected instructor must address the establishment of training requirements, potential development of training aids, coordination with NASA on simulator application, development of course syllabus, lessons or handouts, and the execution of the training. The content of the initial courses will include program objectives, system characteristics and capabilities, operational and emergency procedures, personnel interactions, applicable regulations, hands-on simulator operation, safety, etc.

Training will continue during flight phases with both airborne crews receiving the same, but sequentially executed training--beginning with simple flight maneuvers and continuing through the more complex portions of qualifications at Lakehurst to the final logging mission simulations. Key emphasis will be on emergency procedures, fueling operations, load handling and mooring.

40. Question: Technically, does the Forest Service need to conduct a $2.0 million test in Lakehurst, New Jersey and a $700,000 test in the Allegheny National Forest in Pennsylvania? Why can't we do with one or the other?

Answer: The qualification trials at Lakehurst are intended to exercise the vehicle over a range of performance conditions representative of those expected during its lifetime. The vehicle's ability to perform will be thoroughly tested along with the performance of all associated support equipment. After successful completion of these tests, we feel it is important to test the vehicle in a real logging environment, yet close enough to home base that return is possible in the event of unforseen difficulty. The $700,000 Allegheny test might well be viewed as an extension of the qualification tests in preparation for the west coast ferry and logging trials.

41. Question: Is there any further construction money to be provided?

Answer: Provided the vehicle is completed as scheduled and all tests are successful, no additional funds for construction will be requested.

WOOD RESIDUE REMOVAL

42. Question: Can you provide a breakout of Research, S&PF, and National Forest System costs for wood residue by type of activity (pilot program, demonstration, additional NFS-FTE, removal credits, etc)?

Answer: Our budget of $1.4 million for this program includes projects and demonstrations only on National Forest System lands conducted by the National Forests. No funds are programed specifically for Research and S&PF. Their assistance would be used only in a minor ad hoc basis for technical support of project evaluation and information dissemination on project results.

The breakout of costs by activity is shown on the enclosed summary. This also shows the removal credits. Since the projects will be conducted with normal timber sales activities such as thinning, brush disposal, and firewood, additional FTE's are not needed for the pilot projects.

43. Question: Why do we need to demonstrate the advantages of residue removal when faced with overwhelming demand for, say, fuelwood?

Answer: Fuelwood demand from the National Forests is indeed high. However, the fuelwood has largely been harvested from areas immediately adjacent to roads and close to population centers. Most people do not retrieve wood more than 200 feet or so from the road. Residue material that is downhill from the road is even less accessible. There is still a great deal of residue material in certain areas away from easy access which could be made available. For fuelwood and other uses of residue, such as for powerplant use, our plans are to demonstrate the commercial feasibility of increased and better utilization of forest residues.

ROAD CONSTRUCTION

Your FY 1984 request for road construction with appropriated funds is $218,650,000, down $22,601,000 (-10%) from FY 1983. However, your off-budget purchaser credit road construction program is up $51,300,000 (+21%) from the FY 1983 level of $240,000,000 to $291,300,000. Likewise, mileage to be constructed with appropriated funds are down from 1,200 to 968 (-19%) and mileage to be constructed out of the purchaser credit program is up from 8,794 to 10,095 (+15%).

Wood Residue Uti. .ion Program for NFS
FY 84

4-7-83

Project	Milestone	Priority	Budgeted
			$ = Project Dollars RRC = Project dollars in residue removal credits.
R-1			
1. Gallatin NF a. Access road construction Pole Gulch area.	Access to 101 tons per acre of fire killed timber suitable for fuelwood.	2	$140,000
b. Skid and deck material to road. Pole Gulch area.	As above	2	$50,000
2. Lewis & Clark NF Open old firelines around clearcuts and open old roads.	Access to fuelwood for public and commercial cutters.	4	$15,000
3. Lolo NF Yarding and concentrating biomass on cutover areas.	Access to fuelwood for residents of Missoula and metropolitan area.	3	$130,000
4. Idaho Panhandle NFs a. Residue removal from sale areas. Modify timber sale contracts to include residue removal credits.	Remove residues from sale area and deliver to Eagle Energy Power Plant at St. Maries, ID.	1	70,000 RRC 130,000
b. Yard and concentrate fuelwood. Remove residues from sale areas.	Access to fuelwood for residents of Coeur d'Alene, ID and Spokane, WA	5	20,000 RRC 35,000 $425,000
			165,000 Total $590,000
R-5			
5. Northern California Forests Residue removal.	Logging and thinning residues delivered to powerplant.	1	$100,000 RRC 100,000 Total R-5 $200,000

Project	Milestone	Priority		Budgeted
R-6				
6. Colville NF Residue removal from sale areas.	Deliver residue from sales to power plant concentration yard at Kettle Falls, WA. 80,000 tons. Other concentration points available.	1		$200,000
			RRC	80,000
7. Rogue river, Siskiyou, and Umpqua NFs. Residue removal from sale areas.	Deliver residue to Slash Co. at White City, OR, concentration yard. Residue allocation to best use - chips or hog fuel. 5-10,000 tons per year. Do over a 2-year sale life.	2		159,000
			RRC	155,000
	Total R-6			359,000
			RRC	235,000
			R-6 Program Total	$594,000
WO				
8. Missoula Equipment Dev. Center cooperative project with A&FM, CF, E, and TM on small fuelwood yarder mounted on pickup.	Implement and demonstrate mini-yarder, pickup size. Two or three machines. Forest Service will own. Demonstrate fuelwood yarding.	WO		$16,000

NFS Program Total

	R-1	R-5	R-6	WO-MEDC	Total
	$425,000	100,000	359,000	16,000	$ 900,000
RRC	165,000	100,000	235,000		RRC 500,000
	$590,000	200,000	594,000	16,000	$1,400,000

44. Question: I think that one major implication of this shift means that your sales program becomes more dependent on currently roaded areas than on currently unroaded areas, does it not?

    Answer: To the extent that Forest Road Program funds are needed to access unroaded areas, it is true that we are shifting into currently roaded areas. The result of recent efforts to reduce road costs through reduced standards has allowed us to build roads into roadless areas in many places through the Purchaser Credit Program that formally would have required appropriated funds.

    Problems still occur in the construction of Purchaser Credit roads in areas of low value timber species causing a shift back into currently roaded areas. These areas include the Appalachians and central Rocky Mountain states.

    Those high cost roads in other roadless areas that can not be financed by Purchaser Credit Program are being deferred to future years. This deferral is reducing flexibility in sale planning since areas accessed through the Forest Road Program can support multiple sales because sale timing is not dependent on date of road completion by purchasers.

45. Question: Why do we want such a shift?

    Answer: We do not desire such a shift to occur since it constrains flexibility to access all roadless areas in an orderly manner. If this shift were to continue for several years reductions would occur in sales offerings due to lack of access to timber currently inventoried in the sustained yield calculation which is derived from the roadless areas and overcutting in currently roaded areas.

46. Question: Can we prevent such a shift by adding funds for the forest road program and reducing the ceiling available for purchaser credits?

    Answer: A shift at this date, increasing Forest Road funds and reducing Purchaser Credit funds, may cause a decrease in timber volume offered in FY 1984. Funds for roads constructed through the Purchaser Credit Program are obligated at the time the timber is sold. Roads built through the Forest Road Program are obligated at the time the road construction contract is signed. The timber sale offering is usually delayed until the road project is completed to prevent the possibility of the road not being available to the purchaser due to possible delays in completion of the construction contract. Roads built by Public Works Contract through the Forest Road Program usually require two years to complete, thus delaying the timber offering date beyond the end of FY 1983.

    Since timber sales require one year advance work, both in timber sale preparations and road survey and design, specific sales for FY 1984 already have been selected and preparation work started in order to meet sell deadlines in FY 1984. Substituting sales because of shifts in road funding appropriation at this date would require additional preparation and survey funds to make up for the lost investment.

On page 214 of the Notes, you have a table at the top of the page that I think indicates that 49.2% of the total cost of the road program goes into non-construction expenditures.

47. Question: Is that correct? We have, as you know, asked GAO to review the Forest Service road program and this is the exact type of thing that we hope GAO explores thoroughly.

Answer: It is correct that 49 percent of the funds in the FY 1983 Forest Road Program are programmed to be spent on nonconstruction expenditures. Since both the Purchaser Credit Program and Purchaser Elect appropriations are only available to construct roads, support costs for all activities relating to roads of all three programs must come from the Forest Road Program funds. To finance all survey, design, construction inspection, transportation and Forest planning, specialist input such as hydrologists, landscape architects and archeologists and program management, $118 million is necessary.

The total road program including the Forest Road Program, Purchaser Credit Program, and Purchaser Elect Program equals $526,100. The $118,000 for support represents 22 percent of this total.

Another inference has been drawn from your road construction proposal, that being that as soon as the purchaser credit ceiling was no longer constrained as in prior years, the Forest Service shifted road costs from appropriated dollars to credits.

48. Question: How do you respond to that comment?

Answer: Over the past 3 years, we have changed our design standards to allow the design of a road which will serve the minimum management needs of the area to be accessed. These design standards are based on the premise that the Forest Service will control the traffic use on the road once the facility has been constructed. This reduction in standard has brought many roads within the criteria that can be built by purchasers rather than public works contract since the standard is the same as that required for timber removal from the proposed sale, thus meeting the requirements for Purchaser Credit Program financing under Public Law 88-657.

In the past, when there were two or more sales in the same general area which were going to use the same main access road, the Forest Service usually built this road. This was done so that the sales could be operated concurrently. In many cases, at the present time, the Forest Service is not building these roads.

We are putting them into individual sales and reworking our sale schedule to allow for the change in the time period when roads will be available for use. This has allowed us to reduce Forest Road Program needs but, at the same time, has increased our Purchaser Credit Program needs. From FY 1983 to 1984, we have increased Purchaser Credit Program construction by about 1,300 miles and reduced Forest Road Program construction by 232 miles. The net increase in mileage is a result of increased timber offerings.

We have also made the decision to forego the reconstruction of many miles of multipurpose roads; except, in the case of safety and in order to protect our investment and environment.

There still remains a need to construct roads out of Forest Road Program funds where access to roadless areas exist. These areas have remained roadless to date because of the heavy cost of initial access due to topographic constraints or long sections of construction prior to reaching mature timber stands. The expense involved in this access is greater than can be borne from a single

sale and thus the facility must be constructed by public works contract using Forest Road Program funding.

MINERALS

You have requested an increase of $5,714,000 (+26%) for minerals activities, primarily for the so-called locatable minerals, such as gold, silver, zinc, lead, etc. The primary Forest Service responsiblity is to provide for protection of surface resource values and process applications and review operating plans. Your increase is justified primarily on the basis that you are reviewing more cases (+14%) and more of these are the more complex operating plans, as compared to leases.

49. Question: Are you able to keep current with the rate of new applications at the requested funding level or are you falling further behind?

    Answer: The increase of $5,714,000 for the overall minerals program includes an increase of $3,202,000 for locatable minerals. The Forest Service will be able to keep current in the locatable minerals program with the requested level $11,489,000.

50. Question: According to your chart on page 110 of the Notes, you are actually losing ground overall in the minerals program between FY 1982 actual data and FY 1984 estimated data. How much money would it cost to keep current?

    Answer: The chart numbers on page 110 of the Explanatory Notes include lease applications, operating plan proposals, and operating plan administration for leasable minerals and operating plan proposals and operating plan administration for locatable and common variety minerals.

    The data estimates of the overall minerals program indicate that there will be a reduction of the backlog from the actual in 1982 to the estimated in 1984. There is no need for additional funding in the minerals program.

51. Question: Funding for leasable minerals (oil, gas, coal, etc.) is also to be increased over FY 1983 levels (+20%). Are you keeping current with those lease applications and the operating plan requests?

    Answer: The Forest Service is projecting that the backlog of lease applications and operating plan requests will increase by 1,100 from 1983 to 1984.

RECREATION MANAGEMENT

Recreation management is proposed for a reduction of $2,856,000 (-3%) from FY 1983 appropriations to date (p. 153). Measured from the FY 1984 base, you have over a 6% reduction requested for funding. This results in a reduction in the capacity of visitors by 26.4 million visitors over the course of the year (-22%) (p. 153). You are going to effect this reduction by opening some facilities later and closing them sooner.

52. Question: Why do you want to close so many sites?

    Answer: In order to be as cost-effective as possible, we are closing the more lightly used recreation sites. Closures usually occur in the early and late portions of the season. This means

everyone will still be able to camp on the National Forests, but they might not be able to stay at a particular favorite location. They may also have to perform some services themselves such as disposing of their own garbage.

53. Question: Can you provide a list for the Committee to see where these reductions will occur?

Answer: Almost all of the more than 9,000 sites are affected to various degrees ranging from full closure, to operating on strictly a self-service basis.

54. Question: Is this reduction in any way related to your recreation user fee proposal?

Answer: The reduction in recreation services is not related to any recreation user fee proposal.

55. Question: What are your plans for entrance and user fees for FY 1983 and FY 1984?

Answer: We do not have any entrance fees for National Forest System lands at the present time. We are charging user fees at 2,270 sites in 1983. This is the maximum fee program possible under present authority.

56. Question: Can you provide a list of increased fees planned?

Answer: Fees for the use of Forest Service recreation facilities are established by the individual Forest during the winter based on analysis of local fees charged by the private sector and other public agencies. Fees for 1984 will not be available until March 1984.

The following table shows the number of fee sites in 1982 and 1983. We expect there would be some increase again in 1984, but not as much as the 1983 increase.

Year	Campgrounds							Swim Sites	Group Sites	Other	Total
	$2	$3	$4	$5	$6	$7	$8 to $12				
1982	84	503	711	457	62	12	1	86	229	9	2154
1983	45	294	669	733	149	12	8	82	260	7	2270

57. Question: The Committee requested additional information on the recreation residence fee structure last year. What is the status of your response to that request?

Answer: We are studying the fee issue and we are considering other methods for determining a fair and equitable fee for recreation residence use of National Forest System lands. We are also studying the degree to which our existing system is being correctly and uniformly applied including a review of the recently established Priest Lake fees. At this point, we believe we have received all the suggestions and proposals of interested parties. The review of existing procedures has taken longer than expected.

Our proposal will be forwarded to the Department in June.

WILDLIFE & FISH

You have proposed a slight increase in wildlife and fish habitat administration for FY 1984 over FY 1983 appropriations to date (+$1.1 million, or +3%). However, the increase you've proposed for fish and wildlife to support timber sales activities is about $4.5 million. This leads me to conclude that wildlife and fish management not related to timber and that wildlife and fish habitat improvement projects not related to timber are actually being reduced.

58. Question: Is that accurate?

Answer: Yes. However, there is one exception. Acres of habitat improvement for endangered, threatened and sensitive species will increase by 95 acres even though funding is reduced by $208,000. This is the result of work that has a low unit cost such as prescribed burning and road closures.

59. Question: Doesn't this reduce the overall level of attention provided to one of the major resource values on the National Forest lands?

Answer: It would be more accurate to say that it redirects the attention toward mitigation to prevent habitat losses that result from increased timber and minerals programs.

60. Question: Can you provide a detailed list of reductions in the endangered species area?

Answer: The priority of our activities in this area are as follows: (1) to meet the requirements of the Endangered Species Act; (2) to prevent additional species from becoming federally listed; and (3) to change species status toward delisting as a result of recovery efforts.

Projects which will be reduced are in categories 2 and 3, above. Examples include the following:

Endangered, Threatened and Sensitive Species	Projects		Amounts
Grizzly bear	Habitat analysis and protection	-	100,000
	law enforcement	-	20,000
	prescribed burning	-	150,000
	analysis of effects of resource development activities	-	100,000
Peregrine Falcon	Habitat Improvement and reintroductions	-	100,000
Spotted Owl	Inventory and habitat protection	-	150,000
Sensitive Plants	Inventory, habitat analysis and protection	-	150,000
	Development of management strategies	-	60,000
Threatened and Endangered Plants	Habitat improvement and protection	-	185,000

Gila topminnow	Habitat improvement		
California condor	Prescribed burning	-	10,000
	trail relocation, surveys	-	150,000
Black-footed ferret	Inventory and surveys	-	20,000
Woodland caribou	Protection and analysis of effects of resource development	-	50,000
Golden Eagle	Management plan for Thunder Basin in Wyoming	-	10,000
Bald Eagles/Osprey	Habitat improvement, surveys and nest and roost tree protection	-	200,000
Greenback cutthroat trout	Habitat improvement	-	5,000
Gila and apache trout	Habitat improvement	-	15,000
Red-cockaded woodpecker	Habitat inventory and planning	-	100,000
		Total	$1,620,000
		Acres	5,500

RANGE MANAGEMENT

You are proposing a reduction in on the ground range improvements from $2,195,000 in 1983 to $800,000 in 1984 (-64%). Additionally, Range Betterment Fund amounts will decrease from $5,800,000 to $5,200,000 due to reduced grazing fee receipts. Overall, the on-the-ground funding will be down from $7,995,000 in 1983 to $6,000,000 (-25%) in 1984. There is no rationale provided for this reduction. In fact, on page 170, you state that reductions can be made in appropriated funding and transferred to the Range Betterment Fund, which is also going down.

61. Question: What is happening here?

Answer: The question requires a two-part answer. First, given the need to constrain Federal spending, we have decreased Range Management appropriations. The decrease was made in on-the-ground range improvement activities because past experience has demonstrated that we improve more range thru developing and implementing improved management on the allotment than with range improvements. The direction is developed in cooperation with the grazing permittee and described in an allotment management plan. When analyzing alternative actions for the allotment management plan, range improvements are considered along with other factors such as the needs of the livestock operator and other resource uses, the cost and benefits of alternative improvement actions and availability of finances. In some instances, the selected course of action involves range structural or nonstructural improvements, but many times other alternative actions are selected. These actions may include implementation of systems which provide for periodic deferment or rest from grazing, changes in season of use or kind of livestock, and in some instances, a reduction in livestock numbers.

Second, the Range Betterment Fund was decreased from $5.8 million to $5.2 million in fiscal year 1984 due to an expected reduction in the

amount we will collect from grazing receipts on National Forests in the 16 western States. Grazing receipts will be down because of a reduced grazing fee. The grazing fee is calculated by using a formula prescribed by the Public Rangelands Improvement Act of 1978, P.L. 95-514. The grazing fee formula incorporates the concept of livestock cost of production and permittee's ability to pay with the private grazing land lease rates.

62. Question: What is happening to the overall condition of the range resource?

Answer: Range condition is based upon comparing present production and ground cover with that expected for the site. This rating is ecological and provides an effective way to evaluate changes as the result of past or present use. Range trend is simply a change in condition. No comprehensive national survey of trends has been made since 1977. Nevertheless, we believe the overall trends are generally upward.

63. Question: Isn't one way to improve this resource is to make additional investments in improvements?

Answer: Depending upon local conditions and circumstances any one or a combination of strategies will permit range restoration. In some instances, the selected course of action may be reduction in livestock numbers. Other alternative actions include implementation of grazing systems which provide for periodic deferment or rest from grazing, changes in season of use or in kind of livestock, and on-the-ground range improvement practices, either structural or nonstructural.

You are also requesting a reduction in funding for wild horses and burros from $570,000 in 1983 to $290,000 in 1984 (-49%). However, your justification states that you can maintain the desired level of removals at this funding level.

64. Question: How can this be?

Answer: The increased appropriation provided by Congress for the wild horse and burro program in fiscal year 1983 will allow us to capture and place for adoption sufficient animals in 1983 to bring numbers in balance with carrying capacity of the territories. The fiscal year 1984 budget, therefore, is designed to remove a number of animals equal to the annual natural increase on the territories. Such a program level should maintain a herd size that the territories can support and in balance with other resource requirements.

65. Question: In 1982, you removed 440 excess animals for $315,000. In FY 1983, we appropriated $570,000. How many do you anticipate removing in FY 1983?

Answer: Our plans are to remove 615 animals in 1983.

RECREATION SITE CLOSURES AND REDUCTIONS

66. Question: Can you provide a list by district, forest and state of all recreation sites or campgrounds (1) closed or (2) which have had a reduced level of service in FY 1982 and FY 1983?

Answer: We do not keep a listing at the National Office of specific sites which are closed or partially closed or have reduced level of

services. Management decisions for the 9,000-plus individual sites are made at the local level based on circumstances at any given time.

67. Question: Especially, were any sites impacts in the Monongahela National Forest?

Answer: There were no recreation sites closed on the Monogahela National Forest in 1982 and none are expected in 1983. Sites receiving full service and sites receiving a reduced level of service are divided about evenly on the Monongahela National Forest.

PRIVATE NURSERIES

68. Question: Can you provide a report on the (1) ability, (2) the willingness and (3) the problems of the Forest Service to negotiate long range, multi-year contracts for seedling productions through the private sector? Include historical data.

Answer: First, the Forest Service does not have the authority to enter into multi-year contracts. Second, the Forest Service is currently seeking legislation which would provide multi-year contracting authority for seedling production, scaling, and other forest management activities. Along with multi-year contracting authority, the Forest Service would need authority to obligate future year funds or funds that would last for the term of the contract. Since it takes 2 t0 3 years to produce some species of seedlings for planting, it is obvious that lack of multi-year contracting authority is a major obstacle to the production of planting stock in private nurseries. And thirdly, since we do not currently have the necessary authority for multi-year contracts, we are not able to identify all the problems. We do know, however, that quality control in any nursery can be a problem. However, we believe this can be handled through good contract administration. This is especially critical in that contract award must be to bidders who demonstrate the technical ability to produce quality seedlings and not just to the low bidder.

In the last 5 years, the number of trees purchased from State and private nurseries has ranged from 17 to 36 million trees annually with average annual purchases of about 24 million. We would anticipate some increase and a stabilization of numbers if we obtain authority for multi-year contracts.

69. Question: Can you provide a FY 1984 to FY 1986 preview of seedlings needs beyond current Forest Serivce nursery capacity and Forest Service plans to expand nursery capacity to meet those needs?

Answer: During 1984, 1985 and 1986 the Forest Service will obtain 20-30 million seedlings from State and private nurseries. The Forest Service does not have the seedbed area and/or the container facilities in the specific locations needed to grow the majority of these seedlings. Due to problems in obtaining satisfactory seedlings from outside sources and public and private capacity, there is a critical need for additional Forest Service nursery capacity in the Southern Regions in the late 1980's. Long-term projections show the Pacific Northwest Region may need additional capacity by the 1990's. Seedbed capacity is adequate in all other Regions.

70. Question: How much of the FY 1984 seedling demand can be met by outside sources?

Answer: The Forest Service will purchase about 27 million seedlings from outside sources during FY 1984. The slowdown in timber harvesting has reduced the overall need for seedlings and there is space available to grow additional seedlings in most nurseries. When the need for seedlings increases, most State and private nurseries are not particularly interested in Government business because greater profits can be made selling seedlings to private landowners and growing stock for the general nursery trade.

71. Question: What level of nursery production does the 133 million seedlings budgeted for in FY 1984 represent?

Answer: The Forest Service has nursery capacity to grow 192 million bareroot seedlings and 15 million container seedlings. This gap between capacity and planned use is due to some capacity being in locations where it is not presently needed. The 133 million seedlings for 1984 represents about 65 percent of capacity.

LAND MANAGEMENT PLANNING

72. Question: Can you complete the following table to summarize all draft or final NFMA plans prepared to date? It is intended to show significant changes attributable to the NFMA planning process.

Answer:

FIREWOOD PROGRAM

73. Question: Can you provide the analytical support for a firewood fee or for an enforcement procedure to police a by-the-cord permit system?

Answer: From 1972 to 1982 the free firewood program grew by over 2,000 percent from less than 200,000 cords to $4,700,000 cords of wood. In 1982 an additional 400,000 cords of firewood was sold.

This dramatic increase in the demand for firewood has exceeded supply in portions of the country adjacent to many of the larger urban areas. This demand established a value for firewood. Other Government and private landowners have fees for firewood.

The Forest Service established a nationally coordinated policy to charge a minimum $10 permit fee in areas where demand has exceeded or is expected to exceed supply. Firewood is still free for individual use in areas where supply exceeds demand.

The estimated cost of administering the firewood program in 1984 is $5,600,000. It is estimated that at least 50 percent of the approximately 1 million permits will be charge permits. These permits are expected to generate approximately $10,000,000 in receipts to the U.S. Treasury.

Enforcement procedures were not a factor in increasing the areas requiring a fuelwood permit fee. Enforcement is expected to be easier due to a uniform or standard policy nationally.

MARIJUANA ON NATIONAL FORESTS

74. Question: Can you provide, by district, forest, and state, actual FY 1980 - FY 1982 data showing acres sprayed for marijuana and acres surveyed for the presence of marijuana?

Answer: There was no acreage sprayed to control cannabis on the National Forests in 1980-1982. No single purpose effort to survey the National Forests for cannabis has been made. Forest Service employees engaged in resource management activities do, however record and report cannabis-related activites on the National Forests.

75. Question: Can you provide actual data on Forest Service incidents or visitor incidents with criminal type activity associated with marijuana cultivation, such as armed confrontations, etc.

Answer: There were about 250 incidents in FY 1982 where the public complained about the impact on their activities because of cannabis cultivation on the National Forests. These reports were made to local law enforcement agencies or the Forest Service.

There were about 175 situations where Forest Service employees were threatened directly or indirectly through insinuation by persons suspected of protecting cannabis crops in FY 1982.

76. Question: How much has the Forest Service spent during that time period on these activities?

Answer: The Forest Service spent about $1,500,000 in direct assistance to State and local law enforcement agencies in eradication activities from FY 1980 to FY 1982.

77. Question: What can the Forest Service and the Committee do to ensure the continued safety of the Forest Service employee and the forest user?

Answer: Reduction of the presence of cultivated cannabis is the most appropriate approach to ensuring a safe condition for users and employees. This reduction can best be accomplished through law enforcement actions directed by State and local jurisdictions. Within the availability of funds, the cooperative law enforcement program is an important ingredient.

REFORESTATION

According to the magazine Forest Farmer, only one acre out of every ten harvested in the fifteen southern states is reforested.

78. Question: Is that true?

Answer: The statement should be qualified. Approximately one acre in ten is reforested following final harvest on private nonindustrial ownerships in the fifteen southern States. In terms of all ownerships in these same States, about one-half of the harvested acres are being reforested through planting, seeding and natural regeneration.

79. Question: What happened to the late 1970's initiative to improve that?

Answer: The goal of the initiative, to sufficiently regenerate harvested pine stands, is still important. Many of the specific action items outlined in the original Pine Reforestation Action Plan are being accomplished, depending on the available resources that can be allocated.

80. Question: What does the Forest Service propose in FY 1984 to address this problem?

Answer: Technical assistance in selected forest management activities and nursery improvement, will be provided to State forestry organizations. It is anticipated that Federal tax policies will continue to provide assistance to nonindustrial private forest landowners. Regeneration of Federal lands will continue to be a high priority.

(TWIGS) The Woodman's Ideal Growth Projection System

81. Question: What is the status of the TWIGS growth projection model? Please provide information for the committee files on this model.

Answer: TWIGS is a micro-computer program developed by Forest Service researchers to project the growth of individual trees in stands for all major species in the Lake States Region. This smaller version of STEMS (Stand and Tree Evaluation and Modeling System) was written in the Pascal language for the APPLE II micro-computer. Copies of an improved version of the TWIGS program are now available free of charge from the North Central Forest Experiment Station, St. Paul, Minnesota. A descriptive paper and a TWIGS user's guide are submitted for the Committee files.

BIG SPRINGS RESORT

82. Question: What is the status of the Big Springs Resort on the Targhee National Forest?

Answer: The resort is operated under the authority of a Forest Service special use permit issued to Lyle H. Peterson and Gary L. Davis. In 1979, an environmental analysis was prepared to determine the compatibility of the resort with the management direction provided in the Island Park Land Management Plan and the Big Springs Recreation Composite Plan. The resulting decision provided for removal of the resort. The permittee was advised in the fall of 1979 that operation of the resort could continue until November 8, 1991, at which time removal of the facilities would be required. The decision was appealed by Mr. Peterson and affirmed by the Regional Forester at that time. During the fall of 1982, the lodge building was totally destroyed by fire.

83. Question: Can you provide an explanation of the background and the Forest Service future plans for reconstruction?

Answer: Since the fire, the permittee and the Forest Supervisor have discussed the feasibility of installing temporary structures to serve as headquarters for the business. The permittee proposes to sell the remaining structures, but feels he needs the opportunity of the temporary structures. No decision on this matter has been made to date.

MILWAUKEE REGIONAL OFFICE

84. Question: What is the status of the R-9 office move into the Reuss Building?

Answer: The Forest Service has submitted a formal appeal of the Standard Level User Charge that the General Services Administration proposes to charge for FY 1984. The appeal has been acknowledged, and the General Services Administration is reanalyzing the fair annual rental for the Reuss Building to determine if the Standard Level User Charge was properly computed.

Our Regional office has been working with the General Services Administration's Chicago regional office to resolve problems concerning warehouse space in the Reuss Building, to provide space layout information for our offices and computer room, and to determine which agency will pay for initial space setup costs.

The Forest Service still has a major concern about the impact of the increased Standard Level User Charge on our FY 1984 Budget. The projected difference between the original General Services Administration estimate ($11.58 per square foot) and the actual rate ($21.75 per square foot) is over $620,000 a year. The General Services Administration has agreed to a rate of $11.58 for the balance of FY 83, but proposes to charge the full $21.82 for FY 84.

TRUSS-FRAME HOUSING

According to press reports, the Forest Service plans to have a patented truss-frame system prototype home built in most states by FY 1985.

85. Question: What is the extent of the Forest Service's investment in those homes?

Answer: The construction and other costs of building homes using the Truss-Framed System are borne by the builder. The Forest Service provides free technical assistance to the builder if requested.

The Forest Service is, however, developing plans to cooperate in the building of a demonstration home in the District of Columbia-Maryland area to provide a home that would be available for showing to interested parties for up to six months after completion. The Forest Service would subsidize some of the costs of this home to offset publicity expenses, special construction features, and the six-month open-house expense.

86. Question: What are the financial and proprietary interests of the Government in the patent and in the licensing of the patent?

Answer: The patent on Truss-Framed housing has been taken out in the name of the United States. License to use the patent is free to those applying for it. As a result, the Government has no proprietary or financial interest in the use of the patent. The technology is of such merit in providing a means to provide affordable housing to the Nation, that the Forest Service contribution is to see that builders are aware of its attributes.

TIMBER STUMPAGE RATE ADJUSTMENTS

87. Question: Can you provide a detailed description of the various stumpage rate adjustment techniques and indicate which ones the Forest Service prefers and what its future use would be in the Forest Service?

Answer: Stumpage rate adjustment is handled under the term "escalation procedures" in the timber sale contract. The Forest Service uses only one procedure and is not considering any other. This escalation procedure is used in all National Forest western regions, except for Alaska, western Oregon, and western Washington.

Beginning in July 1983, timber sale contracts in western Oregon and western Washington will also use the escalation procedures. The Forest Service plans to continue using escalation procedures in the western regions. A detailed description of the escalation procedure follows.

A key determinate of stumpage value in the residual value method is the selling value of the manufactured product. The selling value is adjusted monthly to keep it current through the use of a price index compiled by an industrial association. The price index used to adjust the selling value of a species at the time of the sale is recorded as the "base index" in the timber sale contract.

During the life of a timber sale contract, the selling value of the manufactured product actually experienced by the timber purchaser can vary considerably from the selling value upon which the timber appraisal was based. When the demand for the manufactured products is rising and the supply of such products is limited, the selling value rises significantly. However, when the business cycle is on a downturn and housing construction falls off, a surplus of the manufactured product develops and the selling value falls rapidly.

The escalation procedure was developed as a means whereby the Government would share with the purchaser in both the extra returns generated by an increased selling value during a rising market and in the losses incurred during a falling market when the selling value falls from the time of the timber sale. This is handled by adjusting the "current contract rate" quarterly in response to the movement of the price index. Adjustments are made at the end of the calendar quarters and the new rate is retroactive to the previous adjustment.

The adjustment is handled differently for falling values and rising values. When the current value falls below the value of the contract, the full difference represents a direct loss to the purchaser. Thus, the equitable adjustment is to set the current contract rate as the "tentative rate" in the contract minus the difference in selling value.

The difference between the contract value and the current value when selling values are rising is generally partially offset by rising costs of production. The equitable adjustment in this situation is to set the current contract rate as the contract "tentative rate" plus one-half of the difference in selling value. This procedure allows the purchaser to cover the higher costs of production and to realize some increase in profit.

There are limitations on the amount of adjustment which can be made to the current contract rates. The current contract rates can be no less than the Base Rates set in the timber sale contract and no

larger than the contract "tentative rates" plus the difference between the tentative rates and the base rates.

1983 PAY ACT COSTS

88. Question: Do I correctly interpret from p. 292 that your total pay act cost increase is $50,258,000, of which you are requesting a supplemental for $25,084,000?

Answer: Yes. Our total pay act cost increase is $50,258,000 and our request for a a supplmental is $25,084,000.

89. Question: Can you provide a complete list of the types of ways you will absorb the other $25 million?

Answer: We will absorb the other $25 million through a combination of increased productivity and reduced temporary employment, travel and meeting attendance.

FOREST PRODUCTS LABORATORY

90. Question: What has been the funding and FTE level during the 1980-1984 period for your Forest Products Laboratory in Madison, Wisconsin?

Answer: Appropriated research funding and FTE's for the period 1980-1984 are shown below:

Fiscal Year	Appropriation	FTE
1980 - Actual	$10,680,000 1/	368
1981 - Actual	$12,358,000 1/	375
1982 - Actual	$12,788,000	361
1983 - Estimate	$11,664,000 2/	343
1984 - President's Budget	$11,896,000	343

1/ Excludes General Administration (GA) for comparability.
2/ Does not include Pay Act Supplemental.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until Tuesday, April 12, at 2 p.m., at which time we will review the budget estimates for the Bureau of Indian Affairs education program.

Thank you again.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. MACCLEERY. Thank you.

[Whereupon, at 3:43 p.m., Thursday, April 7, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 12.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 12, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:08 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Quentin N. Burdick presiding.

Present: Senators McClure, Stevens, and Burdick.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

STATEMENT OF KENNETH L. SMITH, ASSISTANT SECRETARY OF THE INTERIOR FOR INDIAN AFFAIRS

ACCOMPANIED BY:
JOHN W. FRITZ, DEPUTY ASSISTANT SECRETARY
CHARLES HUGHES, DIRECTOR, FINANCIAL MANAGEMENT
JOSEPH W. GORRELL, DIRECTOR, DEPARTMENT BUDGET
KENNETH ROSS, ACTING DIRECTOR, EDUCATION

INTRODUCTION OF ASSOCIATES

Senator BURDICK. Good afternoon. This is the time scheduled to review the fiscal year 1984 estimates for the education programs of the Bureau of Indian Affairs. The request for the education component totals $249,068,000, a decrease of $16,951,000 below fiscal year 1983 appropriations to date.

Mr. Smith, your opening statement will be included in the record. If you will introduce your associates, we will proceed, thereafter, to ask you questions.

Mr. SMITH. Thank you, Mr. Chairman.

I will introduce my associates here:

Mr. John Fritz, who is my Deputy;

Mr. Charles Hughes, who is the Director of Financial Management;

Joe Gorrell, Interior Director of the Budget;

And over here, Ken Ross, the Acting Director of Education.

PREPARED STATEMENT

First of all, it is a pleasure to be here this afternoon to talk about our 1984 budget. As I understand, you want to get into the questions immediately rather than having me summarize with additional remarks. But I would like to submit my additional remarks to you for the record if I may.

Senator BURDICK. It will be received without objection.

[The statement follows:]

STATEMENT OF KENNETH L. SMITH

I am pleased to appear before you today to discuss the FY 1984 budget for the Bureau of Indian Affairs programs.

The 1984 appropriation request of $901 million includes approximately the same total funding for the operation of Indian programs that we have for 1983. Funding for the operation of Indian programs for 1983 is $843.5 million; in 1984 the request is for $841.5 million. A comparison of our FY 1984 request with our 1983 appropriations is provided as Attachment 1.

The 1984 budget shows a substantial reduction in construction funding, but it does not reflect the $100 million in contract authority the Bureau will be receiving from the Highway Trust Fund for the construction of roads on the reservations under the Highway Improvement Act of 1982.

This additional $100 million for roads construction -- over and above the figures in our budget request -- will help us meet a basic infrastructure need of the reservations and will also help with the pressing problem of unemployment on the reservations. My staff has advised me that the roads construction program will generate about 5,000 jobs for Indians in 1983 and 1984.

Our request also reflects a difference of $9.4 million in Johnson-O'Malley Education Assistance funding. Our FY 1983 appropriations included the $9.4 million as a one-time Congressional add-on for Alaska school transfers. That amount is not included in our FY 1984 request, hence the difference.

For the operation of Indian programs, the budget calls for $249 million for Indian education; $242 million for Indian services; $65 milion for economic development and employment programs; $89 million for natural resources development; $44 million for trust responsibilities; $89 million for facilities management and $62 million for general administration.

This is a lean budget. It will challenge us to use funds efficiently to meet program needs on the reservation, to begin implementing the President's recently promulgated Indian policy statement, and to achieve the management objectives we have set for the Bureau of Indian Affairs for 1984.

While the entire Federal Government is under severe budget constraints, it has been with the strong support of Interior Secretary James Watt that we have been able to hold our own in Indian Affairs. The Bureau of Indian Affairs budget has been 20 percent of the discretionary portion of this Department from 1979 through 1984. Our Indian Affairs budget request for 1984 shows only a $53 million decrease from FY 1983. And that is more than made up by the $100 million we are assured in highway construction funds.

I want to discuss our objectives for 1984 and what we hope to accomplish with the resources provided us in 1984. To set the stage, I am going to take a few moments to talk briefly about some of the things we have done and are doing.

Two years ago when I testified before the Senate Select Committee on Indian Affairs for my confirmation hearings, I spoke about my philosophy and beliefs about Indian people. I stressed then -- based on my 22 years of working in tribal government -- the need for strengthening tribal governments and lessening the dependence on the federal government. I said then that I thought any genuine economic development required strong, stable self-government. And I expressed my faith in the ability of Indian people to meet the challenge of assuming real governmental responsibilities.

I have not changed in my philosophy or beliefs. I know now much more about the difficulties of making changes in and through federal government agencies. I am also more aware of the variety and complexity of problems encountered on Indian reservations. The solutions are not quick and ready. I remain convinced, however, that tribal governments, rather than the federal bureau-

cracy, must be the foundation on which reservation progress and achievement will be built. To inform tribes that we are serious about using our resources wisely I have initiated an management by objective (MBO) plan for resource management and development. We propose that this plan will be developed by at least two tribes this year. The plan calls for an assessment of their economic resources and the development potential which will enable the tribes to plan for future development of their natural resources based on economic modeling. As a result the needs for this development and management are identified and targeted to coincide with the planned development rather than an ad hoc basis. The federal government has an important assistance role -- but it must be auxiliary to that of the tribal government.

The President's Policy Statement

The philosophy I talked about two years ago has now been formally adopted and enhanced by President Reagan and established as the basic Indian policy of the United States.

In the first major Presidential Indian policy issued in more than a decade, the President reaffirmed the government-to-government relationship between the federal establishment and the Indian tribes.

This policy statement emphasizes the administration's commitment to encourage and strengthen tribal government and make the policy of self-determination a reality. It calls for the removal of obstacles to self-government and the creation of a more favorable environment for development of healthy reservation economies.

The policy reiterates that the federal government will continue to fulfill its traditional responsibility for the physical and financial resources held in trust for the tribes and their members.

Policy elements through which tribal governments will be strengthened include the following:

* Signing of H.R. 5470, the Indian Tribal Governmental Tax Status Act. This legislation provides tribes with essentially the same status and treatment under Federal tax laws as applies to other governments with regard to revenue raising and saving mechanisms.

* Encouragement for tribes to assume responsibilities for services such as the enforcement of tribal laws, developing and managing tribal resources, providing health and social services, and education.

* Designation of the White House Office of Intergovernmental Affairs as liaison for tribes. By moving this function from the White House Office of Public Liaison, the President recognizes that tribal organizations are governments rather than public interest groups such as veterans, businessmen and religious leaders.

* A request that Congress expand the authorized membership of the Advisory Commission on Intergovernmental Relations to include a representative of Indian tribal governments.

* Request that Congress repudiate House Concurrent Resolution 108 of the 83rd Congress which called for termination of the Federal-tribal relationship. The Administration wants this lingering threat of termination withdrawn and replaced by a resolution expressing its support of a government-to-government relationship.

* Support for direct funding to Indian tribes under Title XX social services block grants to States. In keeping with the government-to-government relationship, Indian tribes are defined by law as eligible entities and receive direct funding, if they wish, in five block grant programs administered by the Department of Health and Human Services. These and other blocks to the States consolidated dozens of categorical Federal domestic assistance programs to reduce fragmenta-

tion and overlap, eliminate excessive Federal regulation, and provide for more local control. Title XX has the largest appropriation and the greatest flexibility in service delivery. Grants for social services would be made directly to the tribal governments, at the option of the tribe, and would not be channeled through the States.

To attempt to better the economic conditions on reservations, the policy calls for:

* Establishment of a Presidential Advisory Commission on Indian Reservation Economies. This commission, to consist of knowledgeable Indian and non-Indian business people, will identify obstacles to economic growth on reservations; recommend changes in federal, tribal, state and local governments to rectify problems; and will recommend ways for the private sector, both Indian and non-Indian, to participate in the development and growth of reservation economies. It will advise the President on actions needed to improve these economies.

* Working with tribes to expeditiously implement the recently passed Indian Minerals Development Act of 1982 to allow tribes to enter into joint venture contracts and other non-lease agreements for the development of reservation resources. This law will provide beneficial opportunities for creative agreements for minerals development.

* Funding of a new economic development initiative, beginning in 1983, to provide seed money to tribes to attract private funding for economic development ventures on reservations.

* Providing $375 million over a four year period for building new roads on Indian reservations under the Highway Improvements Act of 1982.

A policy statement, of itself, does not effect changes in the day-to-day life on reservations. But it sets a direction and gives impetus to actions that do bring change. Ideas have consequences in that humans usually manage to achieve whatever they can conceive as possible.

The President's policy statement is, I believe, a powerful force in the movement toward self-government and self-sufficiency for Indian tribes.

Other Activities and Accomplishments

The policy statement is the major achievement of this Administration in Indian Affairs. I think there are other accomplishments of significance.

* We have initiated in 1983 a program to help small tribes achieve basic managerial capabilities -- to enable them to effectively manage and account for the use of funds. Draft regulations were prepared and submitted for review and comment by the tribes and we are now in the process of accepting and processing applications which will implement this initiative.

* Another new program being initiated in 1983 is to provide seed money for economic development projects on the reservations. We are now accepting applications for these grants and anticipate the approval of the first ones by the first of May.

* Initiated a system for evaluating administrative programs in the 12 area offices of the BIA. This system permits the area director to carry out a continuing evaluation of area office activities and to determine strengths and weaknesses. It also includes a system for validating these evaluations by a team of central office specialists. We expect the system to bring continued administrative improvements.

* In an effort to assure program accountability of funds, we conducted on site year-end fiscal reviews of 11 of our 12 area offices.

* Established a formal process to encourage negotiated settlements of Indian water rights claims. The Papago Indian Tribe's claim was the first to be negotiated and was settled in September 1982. The Papago settlement reduced the cost to the federal government from $112 million (proposed in a bill vetoed by the President) to less than $40 million and provided for a contribution of over $5.25 million by local beneficiaries.

* Instituted forest inventory and planning programs to assist tribes in the cutting of timber on a sustained-yield basis. Eleven full programs and 20 to 30 abbreviated plans for smaller reservations were operational by the end of 1982.

* Initiated a series of regional, person-to-person workshops to discuss programming and budgetary matters with tribal leaders. This additional consultation improves government-to-government relationships, fosters deeper understanding of the tribes and management problems, and increases appreciation of Indian self-determination.

* Undertook a comprehensive review of all off-reservation boarding schools to determine which facilities were underused, the feasibility of continued operations, and whether Indian children could be educated closer to their homes.

* Transferred 17 Bureau of Indian Affairs day schools to the State of Alaska as part of a continuing cooperative effort between the Bureau and the State to establish a single system of education there. This transfer achieved a savings to the federal government of $5.9 million.

* Dedicated the first Indian-owned hydroelectric dam on a reservation. Financed with $10 million in tribal funds, $15 million raised by a State bond issue and a $5 million federal loan, the Pelton Dam on the Warm Springs Indian Reservation in Oregon will generate approximately $4 million annually to the Confederated Tribes through the sale of power to northwest utilities.

* Started construction in FY 1982 on nine new, small irrigation projects -- four in Arizona, four in the Dakotas and one in Iowa -- which will be completed by the end of FY 1983 and will provide quick economic returns to the tribes.

* Provided $4.6 million in funding to the Lower Brule Sioux Tribe for the second phase of the Grass Rope Irrigation Unit. This will permit the tribe to irrigate 3,500 acres, in addition to the 1,500 acres now under irrigation, generating a potential income of $1.2 million.

* Settled the controversy about Indian gill-net fishing in the Great Lakes area. The plan, which will limit Indian gill-netters to an area generally north of Little Traverse Bay in Northern Michigan, was accepted in concept by Indian representatives, sport fishermen and the Michigan Department of Natural Resources. The comprehensive settlement will protect the fishery resources, protect Michigan's sport-fishing, and protect Indian treaty rights.

* Instituted a model hydrocarbon monitoring system in the Anadarko, Oklahoma, area that enables tribes to determine royalties at the exact day or time they are due, thereby obviating the customary 30-day delay in royalty payment.

* Settled the land claims of the Chugach Natives in Alaska. The settlement resolved issues outstanding for 11 years.

* Developed a training course entitled "Dealing with Tribal Governments," to assist various federal and State agencies and others affected by tribal governmental actions.

1984 Program Objectives and Activities

The Bureau's 1984 budget request reflects an emphasis on three major areas of responsibility. They are:

1) To recognize and preserve the rights of tribal self-government and to strengthen tribal capacity to govern;

2) To fulfill the federal government's trust responsibility to American Indian tribes; and

3) To strengthen BIA's ability to serve Indian people by improving management.

We are committed to reducing administrative costs of the Bureau -- particularly at the central office and area office levels -- so we can maximize the funds available at the reservation level. We plan to maintain full communications with Congressional personnel and Indian leaders on all proposals and plans for achieving savings and increased management efficiency.

Indian Education

In FY 1984, $249.1 million is requested for Indian education under the Operation of Indian Programs appropriation. This consists of $175.0 million for school operations; $26.0 million for Johnson O'Malley programs for students in public schools; and $48.1 million in continuing education, including scholarship grants ($27.7), adult education ($3.7), tribally controlled community colleges ($10.3), and post-secondary schools ($6.4).

The Bureau of Indian Affairs provides funds for a Federally supported school system presently comprised of 183 schools and 15 dormitories for Indian students. The decrease in number of students served (from 42,321 in 1983 to 41,540 in 1984) is due to the proposed transfer of 10 Bureau day schools to the State of Alaska, the closure of Mt. Edgecumbe boarding school in Alaska, the proposed closure (based on tentative decisions) of three other off-reservation boarding schools at the end of the 1982-83 school year, and declining enrollment. The Alaska day school transfers will be negotiated with the State and are consistent with the State's Constitution to establish a single school system in Alaska. The majority of the schools in the Bureau's system are operated by the Bureau; however, an increasing number (62) are controlled, operated and managed by Indian groups under contractual arrangements with the Bureau.

Indian Services

A proposed FY 1984 program of $98.6 million in social services programs includes $7.7 million for Indian Child Welfare Act requirements and $73 million for welfare grants, including both general assistance and payments for the care of dependent, neglected, handicapped or delinquent children. Tribal governments will also benefit in FY 1984 from funding for government functions such as law enforcement, courts and general government operations. The budget includes $34.5 million for law enforcement and $23.5 million for tribal government services including tribal courts.

The $60.2 million FY 1984 self-determination services program includes $34.8 million to cover tribal overhead costs associated with P.L. 93-638 contracts, $19.3 million for grants to tribal governments, and $5.0 million for grants to small tribes to acquire and maintain needed core-management capability. Consistent with our emphasis on self-determination and strong tribal governments this is an increase of $7.3 million, or about 14%.

Economic Development and Employment Programs

The FY 1984 request of $65.5 million for economic development and employment programs includes approximately $27.6 million for direct employment and vocational training. Also included is $10 million for a continuing economic development initiative which provides grants to Indian tribes for the purposes

of 1) initiating business development of natural resources; 2) encouraging private sector investment; and 3) promoting sound business principles. We expect this $10 million to generate total funding of $40 million for economic development projects.

Credit and financing technical staff resources which operate the Bureau's various loan programs are funded at $4.6 million. Direct loans from the revolving loan fund are projected at $13.1 million for FY 1984. These loans will be financed from available fund balances. Guaranteed and insured loans amounting to $19 million will be made in FY 1984 from available fund balances.

Natural Resources Development

The request of $89.3 million for natural resources development in FY 1984 supports programs in energy and minerals, forestry, agriculture, range, irrigation and power project operation and maintenance, water resources, wildlife, parks and fisheries management, and other multi-disciplinary natural resource efforts.

Trust Responsibilities

Strengthening of the trust responsibility role continues to be a prime goal of the Bureau. The FY 1984 request of $44 million is for programs to carry out the Federal trust responsibilities including real estate and financial trust services, rights protection, and environmental quality services. Of this amount, $1.4 million is requested to provide funds for the continued implementation of the Alaska National Interest Lands Conservation Act.

Facilities Management

In FY 1984, $88.9 million is requested for facilities management. The program includes rental cost for facilities, operation and maintenance of all facilities (including those used for Indian contracted programs), and facilities operation and maintenance staff at all levels of the Bureau.

General Administration

In FY 1984, $61.8 million is requested for general administration which includes executive direction, EEO, and administrative services for all levels of the Bureau; ADP services; safety management; reimbursements to the Department of Labor for employee compensation and unemployment compensation payments to former Bureau employees; and program management at the central office level for the construction, road construction and education programs.

We have included $680,000 to establish an oversight and evaluation capability of the Bureau's P.L. 93-638 contract and grant administration function to assure contract/grant fund accountability, proper delivery of services and improved management control.

Construction (Building & Utilities)

The FY 1984 Budget request for construction of buildings and utilities is $50.6 million, which includes $14.6 million for construction of the Hopi Junior/Senior High School in the State of Arizona.

The program also includes $36 million for facilities improvement and repairs. Funding requested will be used to correct unsafe conditions, to improve waste disposal facilities, initiate high priority energy conservation projects, to correct functional deficiencies in existing Bureau facilities, and for preparation of plans, engineering supervision and surveys.

Irrigation Construction

The proposed FY 1984 irrigation construction program will provide a total of $5.3 million. This amount includes $1 million for the Fallon Project in

Nevada. Funding is being requested in the amount of $1.2 million for continuation of a major effort for assuring dam safety which was initiated in FY 1982.

The request also includes $2.1 million for supervision and engineering for irrigation construction and rehabilitation work on Indian irrigation projects and $1 million for surveys and design for repairs and rehabilitation of existing irrigation projects.

Road Construction

New FY 1984 budget authority of $4 million is proposed to provide program supervision and technical services at area and agency offices for the Bureau to continue the development of a transportation network upon which economic and social advancement may be achieved. Construction project costs will be met with funds provided through contract authority allocated from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation. A total of $100 million in contract authority will be available in FY 1984.

Conclusion

The 1984 budget helps to implement the President's Indian Policy. It will double the $2.5 million available in 1983 for assisting small tribes in developing a core management capability and will provide $10 million -- twice the 1983 amount -- for the economic development initiative to provide seed money for the tribes.

We will continue to encourage tribes to assume greater responsibility for their own reservation programs such as enforcement of tribal laws, developing and managing resources, providing social services and other programs. Contracting by tribes to operate these programs now totals more than $230 million. We are endeavoring to increase this by 10% in FY 1983, with a further substantial increase in FY 1984. To support this contracting we have requested increases of $3.5 million -- for a total of $34.8 million in 1984 -- to cover tribal administrative costs.

Mr. Chairman, this concludes my prepared remarks. My staff and I will be pleased to answer any questions you may have.

Thank you.

ATTACHMENT 1

BUREAU OF INDIAN AFFAIRS
F.Y. 1984 BUDGET REQUEST
(IN THOUSAND DOLLARS)

	FY 1983 Approp. to date	FY 1983 2/ Budget Estimate	FY 1984 Budget Estimate
School Operations	177,075	179,556	174,947
Johnson O'Malley Education Assistance	35,579 1/	35,579 1/	26,000
Continuing Education	51,451	51,658	48,121
EDUCATION	264,105	266,793	249,068
Tribal Government Services	25,473	25,609	23,534
Social Services	100,002	100,187	98,609
Law Enforcement	35,697	35,972	34,521
Housing	23,233	23,298	22,068
Self-Determination Services	52,822	52,876	60,198
Navajo-Hopi Settlement Program	3,899	3,923	3,951
INDIAN SERVICES	241,126	241,865	242,881
Employment Development	27,429	27,554	27,641
Business Enterprise Development	10,854	10,966	15,543
Road Maintenance	21,037	21,301	22,351
ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS	59,320	59,821	65,535
Forestry and Agriculture	69,360	70,236	73,415
Minerals, Mining, Irrigation and Power	14,981	15,005	15,881
NATURAL RESOURCES DEVELOPMENT	84,341	85,241	89,296
Indian Rights Protection	17,634	17,723	16,323
Real Estate and Financial Trust Services	28,405	28,877	27,719
TRUST RESPONSIBILITIES	46,039	46,600	44,042
FACILITIES MANAGEMENT	88,900	89,872	88,910
Management and Administration	47,854	48,826	49,434
Employee Compensation Payments	4,582	4,582	6,829
Program Management	7,241	7,377	5,520
GENERAL ADMINISTRATION	59,677	60,785	61,783
1983 PROPOSED SUPPLEMENTALS			
Fire Suppression		14,000	-0-
Federal Employee Pay Cost (distrib. in column 2)		(7,469)	-0-
OPERATION OF INDIAN PROGRAMS (Total)	843,508	864,977	841,515
Irrigation Systems	18,900	18,900	5,325
Building and Utilities	48,350	48,350	50,550
Land Acquisition	-0-	-0-	-0-
CONSTRUCTION (Total)	67,250	67,250	55,875
ROAD CONSTRUCTION (Total)	43,585 3/	43,585 3/	4,000 3/
TOTAL, FEDERAL APPROPRIATIONS	954,343	975,812	901,390

1/ Includes $9,350 for Alaska school transfers, to remain available until expended.
2/ Program amounts include actual appropriations and pending supplemental requests.
3/ Does not include construction project funds which will be provided through contract authority from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation (1983=$75.0 million; 1984=$100.0 million).

TASK FORCE REPORT ON SIPI

Mr. SMITH. With that, Mr. Chairman, I guess we are ready to respond to any questions you may have.

Senator BURDICK. The committee has received the task force report on SIPI.

Mr. Smith, as you pointed out in your covering letter, the task force failed to report on any alternatives other than keeping SIPI open as a Bureau responsibility. We understand that departmental staff are presently working on a report of alternatives, and we look forward to receiving that material.

The task force report, however, does raise several questions which we wish to cover at this time.

For the 1982 school year, SIPI had 91 staff members. According to the report, only 19 of these were teachers. SIPI contracts for food service and for facilities and plant maintenance. What do the other 72 staff do?

Mr. SMITH. I will have Mr. Ken Ross, our Acting Director of Education, respond to that.

Ken?

Dr. Ross. Mr. Chairman, the report that was submitted by the task force is in error. In actual on-the-site filled positions, we have eight individuals on board at Southwestern Indian Polytechnical Institute who are in the administrative categories.

There are presently eight supervisory instructor/counselor positions: two in business education; one in secretarial/clerical skills; one in occupational education; one in data processing; and one in electronics. In addition, there are two supervisory guidance counselors.

In actual instructors, we have two business instructors, three secretarial/clerical skills instructors, four instructors in supportive education, two instructors in language arts, and one educational specialist. There are also four guidance counselors.

In the training instructor areas, we have one secretarial/clerical skills, two in civil engineering, three in optical technology, two in drafting, three in offset lithography, two in food preparation, two in electronics, and one in telecommunications.

Additionally, we have 14 educational technicians, 4 supervisory educational technicians, and 1 student rights specialist, and 28 support staff including librarians, computer technicans, clerical, and staff in the President's office.

Senator BURDICK. What is your arithmetic? What does that add up to?

Dr. Ross. We have 87 total with 41 of those that are full-time permanent, 38 that are seasonal, and 8 that are temporary or part-time.

Senator BURDICK. How many teachers of that number?

Dr. Ross. Pardon?

Senator BURDICK. How many of the total are teachers?

Dr. Ross. In the total there are actually 34 teachers, or instructors.

Senator BURDICK. You say you have 38 part time. What do they do?

Dr. Ross. Out of the eight part-time, we have secretaries, typists, an administrative officer, one business teacher, one offset lithographer instructor, and one recreational assistant.

Senator BURDICK. When you say part-time, just a few hours a day or what does it mean?

Dr. Ross. Yes.

Senator BURDICK. Well, then, you get up in the 90 bracket for everything included as part-timers, don't you?

Ms. GARRETT. Mr. Chairman, to clarify, the figure that you quoted was 91. Of the figure that we gave to you, a number of the employees are part-time or temporary. On any given day, the 91 may vary. And on the day that we actually did the analysis, we had 87 on board which means that 4 could have been temporary employees who no longer were employed.

Senator BURDICK. My staff has calculated 41 full-time, 38 part-time. That makes 79. Where do the rest of them come in?

That makes 87 total, yes, with 34 teachers.

Ms. GARRETT. Yes, sir, 41 full-time permanent positions, 38 who are what we call seasonal positions, and 8 who are temporary, intermittent, or part-time.

CLASS SCHEDULING AT SIPI

Senator BURDICK. OK, now we have got it straight.

The class schedule for the fall 1982 semester shows that instructors are scheduled to teach multiple courses at the same time. For instance, Mr. McIntire is scheduled to teach 16 courses in six time slots.

Basic, intermediate, and advanced courses are all taught at the same time by the same man in the same room. Can you explain what is happening in these classrooms?

Dr. Ross. The class scheduling provides for a position in which a teacher performs various remedial electronics math and related courses. It is almost like a homeroom assignment. There are students scheduled in there all day long in varying numbers working on different levels of electronics math and math related courses.

The nature of this type classroom falls in line with the open entry/open exit concept that is being utilized at SIPI for students to move in and out of class.

Senator BURDICK. According to the information I have here, Mr. McIntire teaches basic electronics, intermediate electronics, telecommunications and math, advanced electronics, telecommunications and math, all at the same hour by the same man.

Dr. Ross. In both a remedial and different level basis, yes.

Senator BURDICK. There is no remedial there; it is advanced intermediate. Is that correct?

Dr. Ross. As I understand it, he is providing remedial services for all of those different courses at various student levels. A student may be in advanced electronic math, but in that particular class he may be below

the level of achievement of his peers in that the advanced class. Therefore, he may be receiving remedial assistance from Mr. McIntire.

Senator BURDICK. Where are the regular students?

Dr. Ross. Those regular students are scheduled outside of that particular class. That class is like a study hall for remedial activities of students that may be in different levels within the curriculum.

Senator BURDICK. It looks to me as though Mr. McIntire's time is all taken up with the advanced and other courses. And I don't know where he would have time for any remedial based upon this schedule.

Dr. Ross. If we may review the schedule structure we will be able to submit to you a detailed analysis of exactly how that structure works.

Senator BURDICK. That would be helpful.

[The information follows:]

CLASS SCHEDULING AT SIPI

In order to improve instruction, the SIPI Board of Regents decided that for the 1982 fall semester, the school should convert from an individualized, open entry and exit mode to a traditional semester system of instruction. Until this time, all of SIPI's courses were individualized or self-directed. Therefore, an instructor may have had a number of students at different levels of instruction. A pilot program was conducted during the 1982 spring semester. It was not until August 1982, that a decision was made that the school would open up for the 1982 fall semester. Consequently, the 1982 fall semester was a transitional one for the school.

The institution needed to provide the necessary advanced and/or intermediate math courses in order to accommodate the training needs of those students who entered SIPI under the open-ended course rather than simply redirect attention to the influx of students who entered under the new semester program.

In the case of Mr. McIntire, the material for all his courses were individualized enabling the students to progress under a familiar self-directed pattern involving specialized projects with an overview of direction and guidance furnished by the instructor.

Admittedly, this first-class schedule did indeed indicate that improvements were necessary. This was the primary reason for the conversion to the traditional system of instruction. The administration felt that this additional structure would provide more accountability for the instructional staff as well as the students. All of SIPI's curricula are to be reviewed and evaluated in order to make improvements and to better meet the needs of the students.

SIPI ATTENDANCE POLICY

Senator BURDICK. Is it possible that a student enrolled in one of these courses might be counted as attending all three?

Dr. Ross. There is not that possibility.

Senator BURDICK. Apparently SIPI has no attendance policy. Does the school keep any records of class attendance?

Dr. Ross. Yes, they do. And they also have a formal attendance policy that is written.

Senator BURDICK. Has SIPI been granted full accreditation?

Dr. Ross. The Southwest Indian Polytechnic Institute is fully accredited by North Central Accreditation Association with a 5-year accreditation certificate.

The reason that there is a 5-year limitation as opposed to a 7-year certification or approval is that the association wanted to see the commitment of the Bureau to insure stronger continuity in terms of the administration of the school—namely the chief officer for the school.

Senator BURDICK. The task force recommends that SIPI be provided "leadership by a well-qualified post-secondary administrator * * *." What are the credentials of the current SIPI president and vice presidents?

Dr. Ross. The current president and vice presidents do meet all of the certification requirements established by the Office of Personnel Management.

Senator BURDICK. For the record, will you please provide a list of all SIPI administrators and instructors, the highest degrees each has attained and from what institution?

Dr. Ross. Yes, we will, sir.

[The information follows:]

SIPI ADMINISTRATORS AND INSTRUCTORS BY DEGREES EARNED AND INSTITUTION

Alonzo, Althea A., MA—1972, University of New Mexico. Major—home economics education.

Antonio, Wilfred F., no degree.

Apodoca, Nancy S., MA—1970, Eastern Washington State. Major—guidance and counseling.

Aragon, Albert J., 1976—65 semester hours, University of New Mexico, 16 semester hours, Eastern New Mexico University. Major—vocational education.

Atencio, Joseph E., MA—1976, New Mexico Highlands University. Major—guidance and counseling.

Bauca, Joseph R., MA—1953, University of Albuquerque. Major—trade and industry.

Barney, Daisy B., MA—1983, University of New Mexico. Major—business education.

Begay, Louella J., BS—1953, University of New Mexico. Major—business education.

Buffalomeat, Nellie, MLS—1980, University of Oklahoma. Major—library science.

Byrd, Dee, no degree.

Carr, Elgin E., BS—1979, East. New Mexico University. Major—industrial education.

Chavez, Amaranate J., MA—1977, University of New Mexico. Major—public administration.

Cordova, Irene D., BA—1980, New Mexico Highlands University. Major—business education.

Crowley, William R., BA—1974, University of Albuquerque. Major—vocational education instructor.

Crutcher, Benjamin D., BBA—1977, University of Texas. Major—general business administration.

Clark, James R., 1944, 640 hours. U.S. Nav, elec. mate.

Ferris, Thomas J., no degree.

Halpern, Jerome R., 1976—cert. instr. jr. college level, NYC Community College and University of Maryland. Major—education and vocational industrial.

Kiya, Vina L., BA—1977, Southwestern New Mexico University. Major—physical education.

Immerman, Michael A., MA—1969, University of Akron. Major—adult education.

Kinskl, Timothy, no degree.

Lucero, Benjamin, AS—1964, New Mexico Highlands University. Major—electronics.

Lujan, James, MA—1969, New Mexico State University. Major—guidance and counseling school administration

Lockett, Jack E., MBA—1975, Wayne State University. Major—management.

Marshall, Ronald, 1980, Pittsburgh State University, vocational technical education (printing).

McIntyre, Jesse, MBA—1972, Eastern New Mexico University. Major—data processing.

Parton, Lahoma, BS—1975, Central State University. Health, physical education and recreation.

Ray, Michael, BS—1971, Brigham Young University. Recreation and safety education.
Rinaldi, Edward J., BA—1961, Rutgers State University. Major—business administration.
Salas, Betty A., no degree.
Scott, Willard A., BA 1956, New Mexico State University. Major—education administration.
Shattuck, Juan P., no degree.
Summeracher, Patsy G., BA/SS, 1959, University of Denver. Major—business.
Tinajero, Lourdes, MA—1980, Pennsylvania State University. Major—career development.
Torres, Joe, BS—1977, University of Albuquerque. Major—data processing and computers, accounting and business administration.
Turnes, Stephen C., AS—1976, New Mexico Highlands University. Major—sociology.
Vanwhy, Rebecca, BS—1959, University of New Mexico. Major—home economics.
Vallo, Ernest M., no degree.
Wardlow, Johnnie J., MPH—1978, University of California. Major—guidance and counseling and community mental health.
White, Henry J., MS—1965, Kansas State College. Major—education and reading.

COMPETENCY REQUIREMENTS FOR SIPI STAFF

Senator BURDICK. Are there competency requirements for administrators or for instructional staff at SIPI?

Dr. ROSS. The only competency requirements that are required at the present time are the guidelines set by the Office of Personnel Management and the ongoing individual performance evaluation system conducted by the Bureau of Indian Affairs, Office of Indian Education Programs for all education personnel.

SIPI BOARD OF REGENTS

Senator BURDICK. The task force recommends that the Board of Regents be given governing authority over the institution. How many members are currently on the Board?

Mr. SMITH. There are currently 11 members.

Senator BURDICK. How often has the Board met in the last year? What is the average attendance at these meetings? How much has been spent on Board costs in the last year?

Dr. ROSS. The Board has met seven times in the last year. The average attendance at these Board meetings was six Board members.

Senator BURDICK. Six?

Dr. ROSS. Six out of the 11. In the last year, within their budget, of $5,400 they spent $2,913.

Senator BURDICK. Was that travel and per diem?

Dr. ROSS. Yes, sir.

Senator BURDICK. How much did the Bureau spend for this task force report?

Dr. ROSS. The Bureau of Indian Affairs spent $15,900.49.

APPLICATION OF BASIC EDUCATION STANDARDS

Senator BURDICK. The Bureau has recently published proposed rules for minimum academic standards for the basic education of Indian children. Schools which contract with the Bureau are not required to meet these minimum standards unless the school board so chooses.

We understand that this is a result of the Solicitor's decision based on authorizing legislation. As these contract schools are not required to meet State standards either, do you feel that we are fulfilling our obligation to children enrolled in these schools to provide them with a sound education?

Mr. SMITH. As the law now defines our responsibilities, we feel that we are fulfilling our obligations according to the Solicitor.

Of course, we do have some concerns. Any parent is concerned about their child who is attending a school that doesn't have standards, I think anybody would be concerned about it since academic standards are acceptable standards to the community.

But we are also concerned about local school boards retaining their independence. The thrust of 95–561 was that we move toward self-determination and let school boards independently operate the schools rather than the Federal Government operating the schools and dictating their regulations.

However, we are going to encourage that school boards do come up with standards that we could review in setting up some standards with the contract schools.

But I think before we take the final stand on it, we would want to research it further. I would like to get the advice of my staff, and I also would like to discuss this and consult with Indian leaders, Indian country, to see how we can address this concern.

Senator BURDICK. Will you let the committee know when you have got through studying what you want to do?

Mr. SMITH. Yes; it is a concern of ours. As you know, we have published our standards. It has taken us a long time to get them published. And hopefully, we will have consistent standards to all the BIA schools.

We also understand that we have a vacuum in the contract schools with no standards. They do have the option to accept our standards. We hope a lot of them will.

ATTENDANCE BOUNDARIES

Senator BURDICK. School boards are to establish nonoverlapping attendance boundaries. The regulations, however, contain no reference to public school attendance areas. As most Indian children attend public schools. why shouldn't the regulations require that the BIA attendance areas overlap neither other Bureau schools nor other public school boundaries?

Mr. SMITH. Mr. Chairman, I say in studying their boundaries, there will be no two BIA schools that will have overlapping boundaries. But since we have two systems, public schools and the Bureau school system, out in Indian country, you are going to find overlapping of our boundaries versus public school boundaries. That is bound to happen.

So if you take a reservation that has public schools and BIA schools, you will find overlapping. I don't think we can get away from that. We can set our boundaries so that at least BIA schools don't overlap their boundaries.

Senator BURDICK. Once the attendance areas are established, what will be done to insure compliance?

Mr. SMITH. I will have Ken respond to this question.

Dr. ROSS. Once the attendance boundaries are established, recognizing at the present time the standards that have been published have been published as proposed rules, we still have some comment period in which to solicit concerns from Indian country and from all of the schools and any other interested individuals regarding the entire content of the standards.

But hoping that the attendance boundaries will be established in final shortly, we are progressing within the Department and the Office of Indian Education Programs in developing and will be implementing on the final acceptance of the standards, the comprehensive monitoring and compliance process, regarding adherence to the standards. We are proposing to conduct summer training programs for all of our line officers who are the agency superintendents for education, and the area education program administrators, all of whom are responsible for just the local school principals and the school boards in regional sessions during this summer to cover the attendance boundary issues.

We are modifying the current ISEP student count monitoring system in which we validate the number of students that are actually enrolled and in attendance in those schools. And a part of that modification will be a certification of appropriate placement based upon attendance.

In addition we propose to include, within the tribal policy issue workshops that the Assistant Secretary has already planned, a portion of that discussion with the tribes on this basic issue.

LITTLE EAGLE AND BULLHEAD SCHOOL CONSTRUCTION

Senator BURDICK. I think I am going to have a short break in this line of questions, and I am going to ask you, Mr. Smith, about two matters.

Are you aware that plans to construct the Little Eagle School in the Standing Rock Reservation are now proceeding? The tribe, however, is concerned about the selection of the project engineer on the school and is requesting that someone else be selected to that position.

Are you aware of this situation? And would you agree to review the tribe's concern with them?

Mr. SMITH. I think, Mr. Chairman, that John Fritz is aware of this situation. And I will ask him to respond.

Mr. FRITZ. Yes, Mr. Chairman. The head of the Bureau of Indian Affairs facilities engineering staff received a letter from the tribe. I believe it was Friday or maybe it was even as recently as yesterday, because he has been in touch with the head of the school facilities engineering staff who happens to be here in Washington.

And as a result of their discussion, I think they are going to be looking at removing that project engineer or attempt, at least, to work with the tribe and come to some sort of amicable resolution to this problem between us, our engineer, and the tribe.

Senator BURDICK. I am also interested in knowing the status of funding for the Bullhead Elementary School on the Standing Rock Reservation. I have been told that the funding of the project will be made available from the BIA operations and maintenance fund.

Is this true? And can you give me a timetable on this project?

Mr. FRITZ. The Bullhead Elementary School contract was awarded on March 15 for $190,000. And I presume the work is going to be underway pretty quickly, sir.

Senator BURDICK. What is the figure there?

Mr. FRITZ. The information in my file here is $190,000.

Senator BURDICK. And construction will start soon?

Mr. FRITZ. I presume so. I don't have a status report any more recent.

Senator BURDICK. And do you know anything about the time for building, how long it will take?

Mr. FRITZ. No, sir.

Senator BURDICK. In other words, it will be started in the next building season?

Mr. FRITZ. Yes, sir.

SCHOOL SIZE NOT ADDRESSED IN PROPOSED STANDARDS

Senator BURDICK. Now, I will get back to education.

The proposed regulations do not address the question of school size. As formula funding is based primarily on the number of students enrolled in a school, it seems self-evident that the resources available to the school bear a direct relationship to the size of the student body.

What is the rationale for continuing to support schools of any size?

Dr. ROSS. I don't know if there is a rationale to continue the support of schools of any size, but the situation as it exists currently is that the Bureau does not have published regulations, manual requirements, nor written policy regarding the minimum size for BIA school funding.

On the other hand, previously private schools, in order to receive operational funds and construction funds, were required by regulation to have a minimum of 25 students in grades K through 8 or 50 students in grades 9 through 12.

When we look at the final effect of, and final sanction of, having the standards in place—when that happens, there will be some schools requiring certain kinds of actions with respect to small schools and with respect to continued operations within the context of providing minimum academic standards.

In some cases those schools will require redirection of their internal funding to address the dollars that they have received toward meeting those particular standards that will be approved. In other instances, it will necessitate having schools pursue cooperative agreements or joint ventures, if you will, between themselves to share, for example, a librarian on a part-time basis in order to achieve the meeting those standards.

In a third area, it may come to a decision to require that some schools consolidate because of their small size.

Senator BURDICK. Excluding the schools in Alaska, the Bureau operates directly or through contract 28 schools which have an average of less than 10 students per class. For instance, the Promise Day School has an average daily membership of 14 students for grades 3 through 8 or an average of 2 students per grade.

Bureau funding for staff, transportation, supplies, lunches, and school board training amounted to less than $68,000 for the 1982 school year. The students obviously have to be placed in multigrade groups and, thus, do not receive a full day's instruction at the appropriate grade level.

The proposed standards require minimum numbers of instructional hours per day which vary with grade levels. How will schools like Promise meet that requirement?

Dr. Ross. I indicated earlier that one of the methods that we are going to have to take a look at is whether or not they can provide minimum academic coursework within the context of the total number of children that they have based upon the premise that the current funding mechanism or the funding formula that OIEP uses will remain constant.

However, we are looking at the fact that the standards will generate, or will be a benchmark to generate, the base level of funding.

So we are looking at modifying our formula funding. Schools such as Promise that are very small will, under present ISEP formula funding, have to look at the options that I indicated earlier.

One, of internal redirection of funds in order to try to meet those standards.

Two, to go into cooperative ventures with other neighboring schools to try to meet those standards.

Or three, consolidation with some other school.

MOUNT EDGECUMBE BOARDING SCHOOL

Senator STEVENS. I obviously want to ask you about some things that concern Alaska. And the first one is Mount Edgecumbe.

We have had an expression now from the State board of education that indicates they would like to have the State, through the Governor and the State legislature, plan a way to fold Mount Edgecumbe into the educational facilities of the State.

When I asked for the backlog on repair and improvement of Mount Edgecumbe facility, I was told it was approximately $22.1 million. Is that a current figure?

Mr. SMITH. Senator Stevens, that is the current figure.

Senator STEVENS. In the policy that was worked out with Governor Egan in the first year of our statehood, there was a statement that the BIA would bring Bureau schools up to code standard, as far as the State law is concerned. We have done that for each one of the day schools.

Would that be your intention as far as Mount Edgecumbe is concerned if the State would take Mount Edgecumbe off the BIA's hands?

Mr. SMITH. We have not discussed that, Mr. Chairman. However, since it would cost us about $22 million, I would probably be opposed to it at this time. That is probably one reason why we are trying to phase out Mount Edgecumbe because of the huge cost that we would incur if we were to maintain it.

Senator STEVENS. Well, if you were to repair it, you still have to operate it. The State is making a gesture of trying to solve this problem. Are you going to renege on the agreement you made with the State in the first year of our statehood, then? Is that to be my understanding?

Mr. SMITH. Mr. Chairman, I am not aware of the agreement.

Senator STEVENS. Maybe you ought to dig it out of the archives because I know it was made. And the understanding was if the State took over BIA-operated schools, they would be brought up to code standards as far as safety and as far as the maintenance is concerned.

And we have done that. As a matter of fact, we made available last year—how much did we make available for upgrading the day schools—total of $20 million in supplemental and in the regular bill last year for the day schools that were to be transferred to carry out that agreement.

Mr. SMITH. Mr. Chairman, it was $9.3 million.

Senator STEVENS. There was $11 million in the supplemental.

Mr. SMITH. Oh, OK, $11 million last year and $9.3 million in fiscal year 1982, which is for the total day school transfer, bringing the schools up to standard.

Senator STEVENS. You do consider Mount Edgecumbe to be a BIA school, don't you?

Mr. SMITH. Yes, sir.

Senator STEVENS. What have you done with the schools in other States when you turned them over to other entities to operate? Didn't you turn over those boarding schools?

Mr. SMITH. Yes, we have. We still have a couple of them because of some court actions. At this particular time, they are still in litigation.

Senator STEVENS. What is it costing you a year to operate Mount Edgecumbe now?

Mr. SMITH. The costs?

Senator STEVENS. What is the total cost of Federal operation of Mount Edgecumbe?

Mr. SMITH. Mr. Chairman, the operating costs for Mount Edgecumbe for the school year 1982–83 includes under the ISEP formula, $1.8 million for facilities O&M $3.2 million, for chapter I funds $93,000, exceptional education funds $21,000, for a total funding level of $5.1 million.

Mr. FRITZ. Mr. Chairman, may I interject?

One of the situations we are faced with here is that the language that was included in our appropriations act last year required us to close the school by June 30. So we are already in closeout.

I haven't seen the letter from the State board or whoever you indicated, sir, when you started your comments. It hasn't come to me. It might be in our system.

We are going to be under extreme time constraints.

Senator STEVENS. Well, the Governor notified me of the action and said that he was concerned about the policy of the BIA with regard to Mount Edgecumbe in terms of whether it would be upgraded if the State went along with the recommendations of the State board of education.

That is obviously the reason for my question.

Mr. FRITZ. Yes, sir. It is a new proposal. I just haven't seen it. It hasn't come through our system. We haven't, in the past, transferred such schools to the States. So it would be something we would have to look at, sir.

Senator STEVENS. What is your plan now to close it? What time would you be closing it under the current program?

Mr. SMITH. Under the current program, as I understand it, we will not have any funds after June 30 to keep it open other than for ongoing maintenance until such time as we declare the property excess or whatever we will do with it.

We will probably have funds for some maintenance people, security, and so forth to look after it for a period of time after we do close it.

STATUS OF OTHER CLOSED SCHOOLS

Senator STEVENS. What happend with the boarding schools in the other States Are they operating still?

Mr. FRITZ. Which ones, sir?

Senator STEVENS. Seneca, Fort Sill, Chemawa. What is the status of all of those schools now?

Mr. FRITZ. Chemawa is still operating in Oregon, sir, but Seneca, Fort Sill, and Chilocco are all closed.

Fort Sill School, as a matter of fact, is currently the subject of litigation in Oklahoma. The U.S. Government asked the KCA Land Use Council and Kiowa Land Use Committee whether they were interested in further negotiatons. They expressed no interest.

That school is currently costing us $200,000 a year in O&M for the Anadarko area office.

And with respect to the Chilocco School, that land improvements there are currently being held pending the outcome of legislative efforts on behalf of the—I think there are six interested tribes that are—these legislative efforts are taking place as a result of an opinion that advice from Congress is necessary in this instance before any of the property were granted to the interested tribes.

At Stewart, we have transferred last summer the main school campus facilities together with 50 acres of land on which the buildings were located to the State of Nevada for use primarily in connection with the State's adjacent minimum security prison.

An additional 2,918 acres of the school's ranch lands and 80 acres of the forested lands were transferred by Congress to the Washoe Tribe and U.S. Forest Service respectively. There remains an additional 57 acres of improved land next to the campus.

So that real estate is currently being reviewed on the excess property report and is being prepared by the Bureau for possible submission to the GSA for excess land disposal. That is where we are.

Senator STEVENS. It is my understanding my State has taken over from the BIA all but 20 day schools and this 1 boarding school, Mount Edgecumbe. Has any other State taken over that number of institutions and continued to operate them?

Mr. SMITH. They have not.

VILLAGE CONCURRENCE FOR ALASKA SCHOOL TRANSFERS

Senator STEVENS. In January, I asked you about the concurrence policy that was under review. The State and BIA have required the concurrence of the native village with regard to transfer of the BIA day schools to the State.

I was told that that policy was under review. We never heard whether there has been a decision made. Has there been a decision made?

Mr. SMITH. No; there has not been a decision made.

Of course, as we understand, and it has been made, we had a concurrence resolution from the village. This was mandated by Congress, we understand, before we transferred the school to the State.

Senator STEVENS. Right. That was my understanding that there was a concurrence requirement.

Mr. SMITH. Yes, sir.

Senator STEVENS. You have not received any concurrence resolutions for the 20 remaining villages from the 20?

Mr. SMITH. No, sir, we haven't.

Senator STEVENS. Does your 1984 budget assume that you will continue to operate those 20 schools until you get concurrence?

Mr. SMITH. No; our budget that we have proposed has proposed 10 schools be transferred in 1984 and 10 schools in the following year.

Senator STEVENS. Is that a guesstimate or how did you get the 10?

Mr. SMITH. That was just an estimate the first time when we talked about transfer. We were hoping to do it in 2 years. And after dealing with the State, we have decided to expand that to 3 years, sort of a phasing.

Senator STEVENS. Why don't you send someone up to Juneau to work out a package with the State on Mount Edgecumbe and the 20 schools? These are all that is left.

I think at one time, you had over 90 schools, and we are down to 20 schools and Mount Edgecumbe. The new Governor has expressed a desire to work with the Federal Government in trying to resolve this issue. And it is going to be a thorny issue for all of us until it gets decided.

It would seem to me that it might be possible to work out a comprehensive program involving not only the 20 schools, but Mount Edgecumbe and negotiate a figure that we could agree to that we would support in the process.

I think Congress has been shown in the past to be willing to honor those agreements if you worked them out with the State and that it would be worth the effort and worth whatever amount we would have to provide in terms of Federal funds to bring about the transfer of not only the day schools but Mount Edgecumbe, too.

Would you be willing to try to do that? I will be glad to make an appointment. Make an offer.

Mr. SMITH. Mr. Chairman, we are willing to negotiate the 20 schools. And if the State is interested in taking Mount Edgecumbe and operating it or whatever you want to do with it, with, of course, the understanding that we will no longer be involved as far as operating the school at Mount Edgecumbe after this year——

Senator STEVENS. I wouldn't count on that because I am going to tell you I am going to put it back in the budget if we don't reach a decent agreement because I can't see that school dying out until we know what the plan is.

We have three classes in that school now. And there has been no plan worked out by the State as to what to do with them. You are still operating boarding schools in other States. I don't see any reason why Alaska, which has done more to take over BIA facilities than any other State, should be penalized because of the circumstances.

If you can operate boarding schools in other States, you can operate them in my State. That is my feeling. I am going to insist on the money unless you work out an agreement with the State.

So I urge you to make your arrangements and go do it.

Mr. SMITH. We will take a look at it, Mr. Chairman.

Senator STEVENS. There is no way we can countenance closing down those schools preemptorily in my State without doing the same in other States.

I remember when the BIA made the decision it was going to close all the boarding schools. But what you tell me is you have closed two in the country.

Mr. SMITH. Four.

LITIGATION ON CLOSED SCHOOLS

Senator STEVENS. What is the litigation in Oklahoma about—your authority to do it?

Mr. FRITZ. Yes, sir.

Senator STEVENS. Without concurrence?

Mr. FRITZ. No, sir. It doesn't involve the concurrence issue there. What we are litigating there is the right to keep the school open.

And I think Dr. Martin is—I believe the action phase is on consultation areas; is that not right?

Dr. MARTIN. That is correct, sir.

Mr. FRITZ. It is a consultation issue, whether we appropriately consulted with the affected tribes.

SITKA VILLAGE STATUS

Senator STEVENS. It is my memory that several of the villages that have the day schools being operated by BIA are IRA villages in Alaska. Isn't Sitka an IRA village?

Dr. MARTIN. Yes, sir, it is.

Mr. SMITH. Yes, sir, it is.

Senator STEVENS. Well, having worn the solicitor's hat down there, let me give you some free advice. It is going to be cheaper for the Federal Government to work that problem out than to litigate it for 10 years. I just don't see how you can win that case without consultation.

I think that the State government is prepared to assist in the consultation. I am sure that our State delegation is. And I would like to see it become part of the State school system. I think that has been our objective since statehood, and I think it should be the result.

The whole process of consultation and concurrence is a very tough one as far as the history and precedence are concerned, and particularly in Alaska. Has anyone figured out what would be transferred to the State if Mount Edgecumbe were closed and transferred?

Mr. SMITH. No, sir, we haven't.

Senator STEVENS. Are you intending to just close the school?

Mr. SMITH. Yes, sir. That was in last year's report. Mr. Chairman, we have laid out placement plans for all the students that are going to Mount Edgecumbe.

Senator STEVENS. What do you plan to do with the school and the real property?

Mr. SMITH. We will probably turn it over to GSA and sell the property, depending on what GSA wanted to do with it.

Senator STEVENS. It would be surplus?

Mr. SMITH. It would be surplus.

WELFARE PAYMENTS IN ALASKA

Senator STEVENS. I will see that you get a report from the State board of education. I hope we would take whatever action is required at the Federal level to preserve the Federal entity as a State school if that is what they wanted to do, and we make agreement to operate it until the State is able to make the plans to have a transition.

With regard to the welfare payments, tell me, how do you interpret the Ninth Circuit Court of Appeals decision about the general assistance payments in Alaska?

Mr. SMITH. Mr. Chairman, Ted Krenzke is in charge of our Indian services and governmental services and is available to respond to that question.

Mr. KRENZKE. We haven't had a chance, Mr. Chairman, to actually review that decision yet. But it appears that the court is wanting us to

continue to make some payments until the district court up in Alaska is able to decide the case on its merits.

We think they have made it on the assumption that certain funds are available to the Bureau to do this. We have some real problems because we really don't think Congress appropriated funds for that purpose in the 1983 budget.

Senator STEVENS. When will you have that decision reviewed?

Mr. KRENZKE. We just got a copy of it yesterday evening. And our attorneys were looking at it this morning.

Senator STEVENS. I must say, I have a similar problem. My next question is: Where are you going to get the money?

Mr. KRENZKE. Well, that is a real problem that we think we have. I had just a very short briefing relative to the decision this morning. And in it, it appears that the court seemed to think that we had carried over money from fiscal 1982 to do it. We don't think that we have that money available. But that will be part of our review. We think there may be a possibility for asking for a rehearing in relation to the situation.

Senator STEVENS. You had transition money, but it was 1-year money?

Mr. KRENZKE. That is correct.

Senator STEVENS. I urge the Department to take a look at the complexity of some of these cases coming up in Alaska. I have been to the Department of Justice several times, to ask them to get more people to handle the Alaska cases as they are handling district court in Alaska and also on appeal.

I am inclined to think these Alaska cases are being shuffled around. Here is one example. I think the cost of operating that program until the district court makes its decision would fund several attorneys for several years as far as the litigation process is concerned. It appears to me the court made its decision on the basis of inadequate information as to the facts.

Mr. KRENZKE. That is our preliminary judgment also.

Senator STEVENS. Are you going to ask us for a supplemental or when are we going to know what you want to do? It is going to affect this budget.

As I understand it, in the court of appeals case, you are enjoined from discontinuing the payments until the district court rules.

Mr. KRENZKE. If I understand it correctly, the court of appeals has directed, in essence, the district court judge to make such a determination.

I also understand that we have until next Tuesday to make a determination in terms of possible request for a rehearing.

Senator STEVENS. I see. Well, as soon as possible, would you let the committee know what the situation is?

Mr. FRITZ. Yes, sir.

STATUS OF OTHER ALASKA PROGRAMS

Senator STEVENS. Have you been requested to discontinue any other payments of any kind that BIA has been making to Alaska Natives other than the welfare end and the school issue?

Mr. SMITH. I am not aware of any, Mr. Chairman.

Senator STEVENS. How did it happen that the Alaskan Natives got left out of the housing program? Were you part of that determination as far as the Department of Housing was concerned?

We are not left out of Senator Cohen's bill, I know, but the transmission that came to us from the administration left the Alaskan Natives out of the housing program. Have you any idea how that happened?

Mr. SMITH. I don't know for sure, Mr. Chairman. Our experts aren't aware of it, and I am not sure how that happened.

Senator STEVENS. Aren't any memos floating around down there that indicate some kind of a new termination policy for the Alaskan Natives?

Mr. SMITH. They are not in Interior anyway.

Senator STEVENS. Well, I certainly hope you wouldn't do that while I am still alive.

I was at the meeting as the Solicitor of the Interior Department when it was decided that the Alaskan Natives would be treated equally with all other Indians in the country. During the Eisenhower administration, that was decided.

Again, I invite your attention to the archives. You would be amazed by what some of your predecessors have decided. It would be nice to have a continuity of policy as far as the Indians and Natives are concerned in this country. But you seem to have lost a little of that continuity.

I would urge you to try and find a way to quiet down the unrest that exists out there in Indian country because of the doubt there is being expressed in many places about the continuity of Indian policy. There should be a great deal more of it.

I am sorry, I have to go back to the floor. Senator McClure is on his way and has some other questions.

I would like to ask the committee to stand in recess until he comes.

[A brief recess was taken.]

Senator MCCLURE. The committee will come to order.

First, I want to apologize for being unavoidably detained downtown and to thank Senator Burdick and Senator Stevens for having expedited the hearing to some degree by taking over and asking the questions that were important from their perspective.

I do appreciate your patience with this process up here. Sometimes, it doesn't go according to the schedule we have established.

CONTRACT SCHOOL STANDARDS

Mr. Secretary, would you object to a congressional requirement that the contract schools must meet either Bureau or State minimum educational requirements as a condition of Federal support?

Mr. SMITH. Mr. Chairman, as we indicated before, we would want to take a good look at that. We would want to carry on some consultation before we would give our opinion on that matter.

But, on the other hand, if we were directed to carry that out, it would be a directive of the Congress.

Senator MCCLURE. As you know, we are concerned about quality of the education. Sometimes, what we run into is a local constituency more concerned about the chamber of commerce or the jobs aspect than they are about education. I think that is a perversion of priorities.

Mr. SMITH. Personally, I feel as a parent, that any school that is operating within the system should have some set of standards to meet. It is a very important thing. We are concerned about it.

I know we want to talk to the contract school boards and encourage them to on their own, either adopt our standards or come up with some comparable standards.

CAPACITY OF OFF-RESERVATION BOARDING SCHOOLS

Senator MCCLURE. What is the capacity of the Bureau's off-reservation boarding school program?

Mr. SMITH. Our capacity is a little over 5,100 students, 5,121 students.

Senator MCCLURE. How many students are currently attending those schools?

Mr. SMITH. 3,083 students. We are operating at about a 60-percent occupancy rate.

Senator MCCLURE. While the proposed regulation for school standards set critera for dormitories, there does not appear to be a policy statement concerning who is eligible to attend these schools. Do you plan to continue the present system which basically allows a student to attend any Bureau school he wishes?

Mr. SMITH. That is the case right now. What we are proposing is attendance areas, and in our next new policy in closing some of these schools.

I shouldn't say close, but we will be consolidating some of our facilities. And we would be proposing attendance areas for each specific off-reservation program.

Senator MCCLURE. As I understand you, geographic boundaries for boarding schools are to be established by the area directors.

Mr. SMITH. Mr. Chairman, I will let Dr. Kenneth Ross respond to this question. Dr. Ross is Acting Director of the Office of Indian Education Programs.

Dr. Ross. No, sir. In the proposed regulations, the establishment of attendance boundaries is the responsibility of the line officers in the Office of Indian Education Programs, mainly the agency superintendents for education for those schools located on the reservations in collaboration with the agency school board and the tribes that are affected.

Senator MCCLURE. OK. The off-reservation boarding schools' geographic boundaries will be established by the Director of the Office of Indian Education Programs in collaboration with agencies and tribes.

Dr. Ross. No, sir. The boundaries will be established by the education program administrators or agency superintendents for education.

Senator McCLURE. The director of education in each area or in the——

Dr. Ross. No, sir. There is one director.

Senator McCLURE. One director of education; right.

Dr. Ross. Presently, I am acting in that capacity.

VERIFICATION OF STUDENT COUNTS

Senator McCLURE. So now we can say when anybody asks us, you are it. We will remember.

How will you insure that the students counted by the boarding program are not also counted by the day schools?

Dr. Ross. In looking at the attendance areas or schools as we normally see them now, there is a historical group of parents that send their children to certain schools. In establishing the boundaries as if it were a public school, in essence, there are some children that reside on the outer fringes of those boundaries that we may have to take into consideration on a case-by-case basis.

However, we are looking at meeting with our school principals and the school boards and in modifying our ISEP student count and verification so that those students that are enrolled in those particular schools actually reside in those attendance areas or have a waiver to go across boundaries.

Senator McCLURE. Then, you will be certain that they are not counted both places?

Dr. Ross. Yes, sir. At the present time, under the present funding formula, we have two count periods. A child cannot be physically in two locations.

Senator McCLURE. That is true, but they can be counted in two locations.

Dr. Ross. In terms of the computer system that we have at the present time, there is a program in the computer that will reject students if they have been already counted.

As a matter of fact, we have had on occasion——

Senator McCLURE. There will be a cross-check between the day schools and the boarding schools?

Dr. Ross. Yes, sir.

Senator McCLURE. By computer?

Dr. Ross. Yes, sir.

Senator McCLURE. If the name is always exactly the same and if the address is always exactly the same, the computer is smart enough to catch that.

Dr. Ross. Yes, sir.

Senator McCLURE. But the computer isn't as smart as people.

Dr. Ross. No, sir. The computer is the result of people input.

Senator McCLURE. And if they put down slightly different names or slightly different infonnation, the computer is going to catch that?

Dr. Ross. At the present time, we have——

Senator McCLURE. That is why some of my constituents get four different newsletters from me. They complain about that, and they are entitled to.

Dr. Ross. We have an audit check process so that when the computer printouts become available, central office staff conduct onsite random samples to verify the student enrollment figures.

Senator McCLURE. You are confident of your ability to reduce overlap?

Dr. Ross. Yes, sir.

REPROGRAMING FOR SCHOOL CLOSURES

Senator McCLURE. We will remember that, too.

We understand that you will be submitting several reprograming requests concerning closure of Concho and Intermountain and for the continued operation of Wahpeton.

Mr. SMITH. Yes, sir, we will.

Senator McCLURE. Concho students will be educated at Riverside if they choose to continue in the Bureau system; am I correct?

Mr. SMITH. That is correct.

Senator McCLURE. The Utah congressional delegation has indicated that they would not oppose the closure of Intermountain if it were operated for one more year. Is that your understanding?

Mr. SMITH. That is my understanding, Mr. Chairman. We have a disagreement with the congressional delegation, and it is a friendly disagreement. We both agree the school should be closed, but it is a matter of opinion of when it should be closed; whether it should be at the end of this school year or the end of another school year.

Senator McCLURE. Apparently one of the problems at Wahpeton is that the Bureau is unable to place all of the students who cannot live at home as the Bureau's social service program does not operate in all areas from which the students are drawn. How many students at Wahpeton do not live within the Bureau's traditional jurisdiction of on or near reservations?

CONTINUED OPERATION OF WAHPETON BOARDING SCHOOL

Mr. SMITH. Mr. Chairman, I will have Jim Martin respond to this. He coordinated our total study on the off-reservation boarding schools.

Dr. MARTIN. Mr. Chairman, at Wahpeton Indian Boarding School there are approximately 200 students in grades 3 through 7 who would need an alternative school setting for the fall semester should that school be closed.

We have identified for every student a proposed alternative school. Additionally, we have asked ourselves whether programs that students are currently receiving would be available at the proposed alternative schools. As a result of that process, we have identified 17 students at Wahpeton who would need foster home placement.

Overall, the Bureau feels that it could very definitely and adequately provide alternative placement for those students. But due to available programs at Wahpeton that would no longer be available as a result of alternative placement of students, we are now proposing that the Wahpeton school continue operations of grades 4 through 8, beginning this fall semester, 1983.

Senator McCLURE. But only four through eight?

Dr. MARTIN. That is correct. Currently, the enrollment level for grade 3 of Wahpeton is down to 11 students.

Senator McCLURE. What will be your proposal for the following year?

Dr. MARTIN. The continued operation of grades 4 through 8.

Senator McCLURE. You say programs would not be available elsewhere. What programs are you referring to?

Dr. MARTIN. We categorize the current or existing programs at Wahpeton into the basic academic programs and the special academics such as chapter I, exceptional education. We categorize counseling programs, health-related programs, and guidance programs.

For each of the 200 students in grades 3 through 7, we determined which of those programs they were enrolled in at Wahpeton, and then look at the proposed alternative school that either the parents or the Bureau recommended that they be placed at this fall.

Mr. Chairman, by doing that for each student, we had a very good indication of what programs would be available for those students.

Senator McCLURE. Well, I am not sure that I understand. You mean those programs of basic education are not available at the other schools where they would be located?

Dr. MARTIN. No, sir. It was not a basic educational domain. It was in the residential, home-living or guidance activities that are normally carried on within the dormitory.

Basic core curriculum was available at the proposed alternative school.

Senator McCLURE. Out of the 306 total enrollment, 200 could be placed somewhere else with no difficulty?

Dr. MARTIN. In looking at proposed school placements for this fall, we only considered grades 3 through 7. That is where the 200 student figure comes in. The 306 was the total grades 3 through 8 ADM reported for the current school year. Of the 200 students in grades 3 through 7, only 17 were identified as requiring foster-home placement of some sort.

Senator McCLURE. Enrollment at Wahpeton in the seventh and eighth grades increased rather substantially this year. And perhaps I am wrong, but I have to say probably due to recruitment efforts which seem to increase every time a school is planned for closure. Of the students attending Wahpeton for the first time this year, how many came from other Bureau schools, and how many came from public schools?

Dr. MARTIN. At the time of our primary survey which was conducted in later November and early December, we had 282 students enrolled

at Wahpeton. Of that number, 142 attended Wahpeton last year. Therefore, we are looking at 140 first time students at Wahpeton.

Of the 140 students, 100 came from public schools, 12 from tribal schools, 22 from BIA schools, and 6 from other schools, primarily private schools.

Senator McCLURE. And there are only 11 in the third grade?

Dr. MARTIN. Correct, currently as of April 1, 1983.

Senator McCLURE. So there was a large transfer from public schools to the Indian school at Wahpeton?

Dr. MARTIN. In this case, there was, sir, yes.

ON-RESERVATION SCHOOL CONSTRUCTION EFFECTS ON SCHOOL CLOSURES

Senator McCLURE. Well, I think that perhaps proves what I said was probably the case.

As part of the so-called jobs bill, funding was included to complete the construction of the Hopi High School which will house 800 students. The Papago on-reservation boarding school is now very high on the priority list. How many students will the Papago school house?

Mr. SMITH. As we understand, Mr. Chairman, 425 students.

Senator McCLURE. What percentage of those students who will attend Hopi and Papago would attend other off-reservation boarding schools if these schools were not available?

Mr. SMITH. It is estimated at 25 percent.

Senator McCLURE. With this additional capacity in on-reservation schools, should we now be planning to close additional off-reservation boarding schools? And if so, which ones and when?

Mr. SMITH. Mr. Chairman, we are taking a good look and trying to finetune our whole system. It appears at this point we had propounded Intermountain and Mount Edgecumbe be closed, consolidation of Concho and continued operation at Wahpeton.

We will be taking a very hard look at Sequoyah this coming year, a school in Oklahoma, and go through the process of consultation. Depending on what the enrollment is next fall and our unused capacity in our overall system, we will be able to make some decisions next fall.

Senator McCLURE. Are they already aware you are looking at them?

Mr. SMITH. Yes, sir. We did send a letter out to our people. I indicated that to them a week ago that we would be taking another look at their particular school.

After we construct Hopi and Papago schools, we have got to take a hard look at Phoenix and Sherman and decide what to do with them. If we have unused capacity, perhaps we would propose for closure one of those schools.

Senator McCLURE. The reason I asked the question is perhaps pretty obvious. Some thought we ought to tie construction dollars to school closures. You are only using 60 percent capacity now and constructing additional facilities. And I think it ought to be obvious that that is going to reduce the residency at other schools.

Mr. SMITH. Yes, sir, it will.

Senator MCCLURE. I hope we are not just proliferating assets without a close look at the impact on existing schools and that the cost of maintaining the program and what that does inevitably to diluting the quality for that program at every one of the schools. I am glad you are taking a look at it.

I assume that the communities that are affected are likely to react as we have seen reaction in other places. They are going to try to make sure you don't close theirs; isn't that right?

Mr. SMITH. It is a tough job to go out and close schools. No one wants to close schools. But if you just don't have the volume of students as indicated by a 40-percent vacancy, commonsense and good management tells you that you have got to consolidate your whole system.

It is no different for public schools. They are going through this in several cities and rural communities. If we have unoccupied space, the only available solution we feel is to consolidate.

Senator MCCLURE. We have a great deal of difficulty doing that in this system or in State systems.

Mr. SMITH. Correct.

PAPAGO STUDENT ATTENDENCE AT OFF-RESERVATION SCHOOLS

Senator MCCLURE. According to some second-hand information we have received, the Papago Tribe has indicated that even with the new boarding school, they would still send approximately 200 students off-reservation to board. If we build the Papago school of sufficient size to house all boarding students from that reservation, will the Bureau require that they attend that school rather than other off-reservation schools?

Dr. ROSS. In consultation this morning, the information we received from the tribe was that the tribe, after construction of the school, would act as the agent to determine by tribal resolution whether a child would be allowed not to be enrolled in that particular school.

Senator MCCLURE. Shouldn't we, if the tribe is going to have the authority to make that decision, know that before we determine the size of the school or build on the reservation? Why should we overbuild on the reservation?

Dr. ROSS. In this particular case, I don't feel that we are overbuilding. What we are looking at is a communication that even if we build the school, there was a likelihood that students would be permitted to attend Intermountain, for example, and the tribe has taken the position that if the school is built that those children would have to secure tribal permission to enroll somewhere else.

Senator MCCLURE. But are you expecting, then, the tribe will refuse that permission?

Dr. ROSS. If there is space available on the reservation, I would assume, yes.

Senator McCLURE. Is that based upon their statement of expectation, the tribe expects to require them to go to the school on the reservation?

Dr. MARTIN. Last June, I had the opportunity to go out to Sells and met with the Papago Tribe. I spent 2 days out there with them talking about their proposed high school. They made it very clear to us at that time that once this school was built on the reservation, they would more or less keep their children on the reservation to attend school.

Now, as far as the 200 students go, I really don't know where that number comes from because in all communications with our office, they have indicated that almost every child will remain on the reservation.

Senator McCLURE. Well, I suspect it comes from the efforts by various schools to make sure they aren't closed. They have been out recruiting, and they come up with assurances that we will send you some students. Then, they use that with us to make sure that their school isn't closed.

I can tell you where the 200 came from. They came from Intermountain. And I know where they got it. They went down and asked the Papagos to give them some figures that justified leaving their school open. And the Papagos gave them that figure.

Mr. FRITZ. Mr. Chairman, I would like to introduce Mr. Frank Latta of our school facilities staff from Albuquerque. Maybe he could shed a little light on the unused space and that sort of thing.

Senator McCLURE. If you would.

And I don't mean to be either flippant or abrasive by this question. It just seems to me we have to rationalize that in some way with some predictability so we don't end up overbuilding in one place or leaving a school open in another.

Mr. LATTA. Mr. Chairman, I was responsible for helping with the planning for Papago High School. I wrote the education specifications for it.

In doing the enrollment projections, we based enrollment solely upon the number of students who were away in boarding schools at the high school level and the number of eighth grade students coming into the system each year. The conservative estimate was 425.

We were assured by the education committee of the Papago Tribe that no child would be allowed to leave the reservation to go to an off-reservation boarding school unless the conditions were extreme and that they would have to get permission from the tribal council before they were allowed to do so.

Senator McCLURE. Your representation to this committee and from them is that it would take exceptional circumstances before they would grant that condition?

Mr. LATTA. That is correct, sir. I talked with them this morning to be sure that this was true.

Senator McCLURE. They should have told Intermountain that when they were recruiting students.

Mr. LATTA. The chairman of the education committee was horrified when he found out the chairman had made that promise. He assured me that that would not be the case.

Senator MCCLURE. Well, I hope you are right.

Mr. LATTA. Yes, sir.

Senator MCCLURE. I really am a little skeptical about it. I think the past record would indicate skeptism is due.

Mr. LATTA. Part of the number that had gone to Intermountain were from the east side of the reservation at the Sells Public School where the overcrowding is extreme. I understand they may get some money from the jobs bill to alleviate the situation there so they wouldn't have any excuse to send them off from that side.

Senator MCCLURE. Mr. Secretary, are you going to keep riding herd on this situation to make sure they don't deviate from the practice which they have indicated they would follow?

Mr. SMITH. Yes, sir. We are riding herd on this particular situation.

Senator MCCLURE. I don't think any of us want to get to the point of telling the tribe what they have to do, but there is no penalty to them, no problem to them, if as a matter of fact they go in some different direction or change some minds later; isn't that correct?

Mr. SMITH. That's correct. Of course, you know, our policy is still to keep students as close to home as possible. If we have the thrust of closing schools, the student should attend school locally if at all possible.

That is why we have declining enrollment in the off-reservation boarding schools. There is a need for the off-reservation boarding schools, and we can define them as an alternative school.

There is a possibility that we will have three or four or whatever the need may be to operate those types of schools.

USES OF JOHNSON-O'MALLEY FUNDS

Senator MCCLURE. We will watch it. I hope you will, too.

Several years ago, the Bureau discontinued the practice allowing Johnson-O'Malley funds to be used to pay for the costs of lunches for Indian students in public schools. Suit was brought against the Bureau in New Mexico, and the court found that the Bureau had not followed proper rulemaking procedures and ordered that these costs be paid.

In December 1982, the Bureau issued new regulations allowing school lunch costs to be paid on behalf of nonneedy Indian students from Johnson-O'Malley funds. Are the costs of the New Mexico students now coming from the State's JOM allocation?

If not, why not?

Mr. SMITH. Mr. Chairman, I will have Ken Ross respond to that.

Dr. Ross. In fiscal year 1982, the costs incurred did come out of the Johnson-O'Malley program. In calender 1983, the judges ruled that we may not use Johnson-O'Malley funds nor their educational funds to pay for those reimbursement costs.

On February 11, 1983, the judge required the Bureau of Indian Affairs to hold public hearings for all parents on our rule change within 60 days or pay $1,000 per day fines.

In the meantime, we are required to continue to pay for lunches for USDA noneligible students. The New Mexico Department of Education has refused to handle this money after this school year.

There are approximately 5,000 students in New Mexico who are not eligible for free USDA lunches. And in our computations at $1.04 per day for 180 school days, the cost to the Bureau of Indian Affairs for fiscal year 1983 would reach $936,000.

Senator McCLURE. Am I correct in saying that then you have one standard for New Mexico and another standard for every other area?

Dr. Ross. As a result of this particular suit, it appears that that is the case. In most other States that I am familiar with, children do fill out the USDA forms if they are, in fact, eligible and go through the process.

Senator McCLURE. And they are not paid unless they are eligible under USDA rules?

Dr. Ross. Yes, sir.

Senator McCLURE. Well, you issued regulations, did you not, in December 1982 that said the school lunch costs to be paid on behalf of nonneedy Indian students would come from Johnson-O'Malley funds; is that not correct?

Dr. Ross. It was determined that they would be paid for out of Johnson-O'Malley funds, but the court has ruled otherwise.

Senator McCLURE. In New Mexico, the court has ruled otherwise, but not elsewhere.

Dr. Ross. Not elsewhere.

Senator McCLURE. So New Mexico is double dip; is that correct?

Dr. Ross. Yes, sir.

Senator McCLURE. How do you justify that?

Dr. Ross. I can't, sir.

Senator McCLURE. Can we order the judge to pay it?

Do you have any plans to deal with that question? Are you just going to let it continue?

Dr. Ross. The current situation for fiscal year 1984, is that USDA, Agriculture, indicates they will not pay for any of the costs.

Senator McCLURE. Who will?

Dr. Ross. Apparently the Agriculture Department is taking the position that the Indian school equalization formula would include those costs for school lunch services.

Senator McCLURE. Out of what fund?

Dr. Ross. Out of Bureau school operations.

Senator McCLURE. There is no budget item for that.

Dr. Ross. I know there is not.

Mr. FRITZ. Mr. Chairman, at this point, it really is a national issue as a result of the Department of Agriculture's proposed action.

Senator McCLURE. I thought it was as a result of the court's action.

Mr. FRITZ. That is the first problem. On the second problem, the Department of Agriculture.

Senator McCLURE. I want to know who to blame there.

Mr. FRITZ. I think there is enough blame so that we can spread it around for everyone. We are going to have to face the problem solidly. We haven't. At this point, we just haven't had time to get to it. I think Dr. Ross has got a letter proposed to come through the system so that we can get with the Department of Agriculture.

Senator McCLURE. First of all, I don't know upon what basis you made the decision to allow the payment for nonneedy students.

Under the practice the last several years, JOM is to provide supplementary educational support rather than what was known as basic support. Do school lunches fall under basic or supplementary educational programs?

Dr. Ross. It is a very good question.

Senator McCLURE. Give me a very good answer.

Dr. Ross. In developing the standards, we grappled with the same or similar concepts of do we include certain elements as basic academic functions? And according to solicitors, the Bureau's management research and evaluation, the Department's Office of Policy, Budget, and Administration, and all the agencies that we have to go through in terms of publishing proposed regulations, we did in fact get varied opinions.

And so what we ended up having to do is to submit that which was most agreeable as our best proposal in terms of an answer. I don't know whether that answers the question at this point or not.

Senator McCLURE. First of all, let's remember that the USDA standard separates those eligible and not eligible on the basis of the income of the family to provide basic nutritional values for all of the members of that family.

Is there a reason to take the educational funds in order to supplement the food of a family that is capable of paying for the nutrition for their family? USDA says no. You have said yes. I am a little perplexed to know why you would say yes.

Mr. FRITZ. We said yes as a result of a previous court action. It wasn't anything we rushed into with our pocketbook handed out.

Senator McCLURE. You had the option of going either direction. The court said you had to have a proper rulemaking. It didn't say what the result of that rulemaking had to be; is that not correct?

Mr. FRITZ. Candidly, I can't recall.

Senator McCLURE. Well, I will refresh your memory. I think I am correct that you could have made the rule either direction.

It seems to me really what we are after is educational support out of JOM. It is not educational support, and we are not talking now about the support that is necessary for the needy student. We are talking about the pupils that come from nonneedy families.

I don't think anybody here is arguing the question of whether or not that USDA standard of needy and nonneedy is appropriate or not. The question, I think, is beyond that. I think you need to resolve that question.

I would seek your advice because if there are ways in which we can assist in doing that, we extend you that opportunity to provide some legislative guidance and direction if that is helpful in dealing with the court.

Children whose families meet USDA guidelines are already eligible for free or reduced price lunches in public schools through the USDA program and do not need to be funded through BIA funds; isn't that correct?

Dr. Ross. Yes, sir.

Senator McCLURE. Since the change in the regulations, have any other JOM contractors begun paying for school lunches?

Dr. Ross. I don't know. We can research that.

Senator McCLURE. Can you research that and provide that for the record please?

Dr. Ross. Yes, sir.

[The information follows:]

JOM CONTRACTORS PAYING FOR SCHOOL LUNCHES

To our knowledge, no JOM contractors in New Mexico have used JOM funds to pay for school lunches, since the court injunction ordered the BIA to pay for the lunches.

COST PER STUDENT FOR NEW MEXICO SCHOOL LUNCHES

Senator McCLURE. I think you said it is $1.82.

Dr. Ross. $1.04.

Senator McCLURE. Per student?

Dr. Ross. In New Mexico.

Senator McCLURE. Per day?

Dr. Ross. Yes, sir.

Senator McCLURE. For 5,000 students?

Dr. Ross. Yes, sir.

Senator McCLURE. It eats a big chunk out of the education budget, doesn't it? It is not coming out of JOM; what is it coming out of?

Dr. Ross. I will defer that question to the administration.

Senator McCLURE. We don't have a reprograming request.

Mr. HUGHES. Mr. Chairman, we don't have the details in financial management. We expect it shortly. We will then assess whether we need a reprograming, within of course, the reprograming guidelines.

Senator McCLURE. It has been going on how long?

Mr. HUGHES. Since October. We do not have the result.

Senator McCLURE. I didn't know you had that much money lying around you could pay that much out, since October, without noticing it enough to even pay attention where it is coming from.

Mr. HUGHES. I think we started this, based on my information, Mr. Chairman, in February.

Senator McCLURE. The payments were started in February?
Ms. GARRETT. They have been going on all year.
Mr. HUGHES. The switch, I believe, occurred in February.
We will get the breakdown on that, Mr. Chairman.
[The information follows:]

CHANGE IN SOURCE OF FUNDS

The switch from using JOM funds for New Mexico school lunches became effective October 1, 1982. To date $306,502 has been spent (through March). The total anticipated for fiscal year 1983 is approximately $406,502.

SCHOOL BOARD TRAINING

Senator McCLURE. Would you please?

Twenty-five thousand dollars is requested for school board training, a decrease of $775,000 below the fiscal year 1983 level. One of the reasons that Congress increased the fiscal year 1983 estimate for this activity is that the boards could have used other funds available to the schools to support their training costs.

It was made clear that Congress intended the boards to use only the funds appropriated specifically for training rather than dip into the school support funds. Under this budget request, would the boards be afforded the opportunity to supplement training from other education funds?

Mr. SMITH. I don't think so, Mr. Chairman. I am not aware of any other way to do that.

Senator McCLURE. So it would be a direct reduction?

Mr. SMITH. It would be a direct reduction. And I don't think we can take that from another line item.

LIMITS FOR HIGHER EDUCATION PROGRAMS

Senator McCLURE. The Bureau has revised its regulations to limit to 5 years the time for support of an individual student in an undergraduate degree program. Will similar limitations of perhaps 3 years be placed on those students attending the Bureau-operated postsecondary schools or on the number of years a student may be counted by a tribally controlled community college for the purposes of grants made through that program?

Dr. ROSS. In looking at the tribally controlled community college in its totality, a number of students attend for various reasons. For example, a student may go through a TCCC program and then go on into a 4-year program. In other instances, members of the community who may have attended school and dropped out of school take certain courses for their own personal enrichment and for job improvement reasons.

So in that regard, I am not sure whether a 3-year demarcation point is realistic.

Senator McCLURE. Is there any demarcation point?

Dr. Ross. At this particular time, in terms of the quarters funded for a degree-granting program, there are within higher education, but not within the tribally controlled community college.

Senator McCLURE. Why not? Certainly people who are residing in the community, whether they are predegree or postdegree, may take periodic courses for a variety of different reasons. But you had some reason to limit to 5 years, the time for an individual student in an undergraduate degree program.

If that rationale applies, why shouldn't it apply also to tribally controlled community colleges?

Dr. Ross. At the present time, the tribally controlled community colleges are still in the process of growth, and we are going through an internal academic improvement process in which many of our tribally controlled community colleges are trying to receive north central, far west, or southern accreditation so that the TCCC program as normally reflected of community colleges is still in a progressive stage.

Senator McCLURE. Do you intend to look at that question?

Dr. Ross. Yes, sir, we do.

Senator McCLURE. How about the postsecondary schools other than the tribally controlled community colleges?

Dr. Ross. Yes, sir, we are looking at the postsecondary schools as well in relation to our grant program.

Senator McCLURE. You have no policy as yet?

Dr. Ross. We have proposed modification to amendments to the regulations that are in effect. And they are in the Department. They are out of the Office of Indian Education and at the Department level for review.

ATTRITION RATES FOR POSTSECONDARY SCHOOLS

Senator McCLURE. Haskell and the Institute for American Indian Arts offer 2-year programs. In 1982, only 13 percent of those enrolled at Haskell and 18 percent of those enrolled at IAIA graduated. What is the attrition rate at these institutions?

Dr. Ross. At SIPI and at the Institute of American Indian Arts, current attrition rate is 30 percent. And for Haskell Institute, it is 19 percent.

Senator McCLURE. Of those who did graduate in 1982, how many required more than 2 years to complete the program?

Dr. Ross. The majority of them.

Senator McCLURE. What percentage of those who complete the 2-year programs are accepted at 4-year institutions?

Dr. Ross. We don't know right now, but we will provide that.

Senator McCLURE. Can you provide that for the record please?

Dr. Ross. Yes, sir.

Senator McCLURE. Could you tell me for the record, too, how many of those who were accepted in 4-year institutions completed the 4-year program?

Ms. GARRETT. We will try to do that, Mr. Chairman, but it might be difficult because we don't know to what schools they go. They might go to Harvard or Yale or whatever. It might be hard for us to get the information as to where they go to school. But we certainly will try to do that.

[The information follows:]

ATTRITION RATES FOR TRIBALLY CONTROLLED COMMUNITY COLLEGES

Of the students who complete the 2-year program at the tribally controlled community colleges, approximately 89 percent are accepted at 4-year institutions.

Of the number of students from tribally controlled community colleges who transfer to 4-year institutions, approximately 23 percent receive baccalaureate degrees and approximately 20 percent receive master's degrees.

HIGHER EDUCATION GRANTS FOR POSTSECONDARY SCHOOL STUDENTS

Senator MCCLURE. Have any of the students currently enrolled at Haskell or IAIA previously received higher education grants to attend other institutions?

Dr. Ross. Not at Haskell or at the Institute for American Indian Arts. But about 20 percent of those that are enrolled in the tribally controlled community colleges have received prior assistance or still are.

Senator MCCLURE. Or still are. They are going to two different places?

Ms. GARRETT. No, Mr. Chairman. A clarification. They receive funds from our higher education scholarship program. That would not preclude them receiving funds from that program just because they are enrolled at a tribally controlled community college.

Senator MCCLURE. But it would be for their enrollment at the TCCC?

Ms. GARRETT. Yes, sir, absolutely.

Senator MCCLURE. I am wondering how many of those who are attending there had previously attended somewhere else.

Ms. GARRETT. I am sorry, Mr. Chairman, we don't know that. We will try to provide that for the record.

Senator MCCLURE. If you would please.

Ms. GARRETT. I would guess a very small percentage, but we will be glad to verify that.

[The information follows:]

STUDENTS PREVIOUSLY ATTENDING POSTSECONDARY SCHOOLS

Of the new students who enter the tribally controlled community colleges, approximately 20 percent have previously attended another postsecondary institution.

COST TO OPERATE INSTITUTE FOR AMERICAN INDIAN ARTS

Senator MCCLURE. The educational costs at IAIA are $7,900 per student. What is the per student cost when all other expenses are included?

Mr. SMITH. Mr. Chairman, why don't we provide that for the record? I don't think we have that.

Senator McCLURE. If you would please.

Ms. GARRETT. May I ask the question: Are you talking about including the operation and maintenance cost, for example?

Senator McCLURE. Yes.

Ms. GARRETT. For IAIA, in fiscal year 1982, including facilities O&M funding, our per student cost was approximately $7,725.

Senator McCLURE. Excuse me. Go ahead. Is that just the O&M or——

Ms. GARRETT. That is both, both the funding from our dollars in education plus the facilities O&M costs. That would total $7,725 per student.

Senator McCLURE. That's below the figure we had for education costs alone.

Mr. SMITH. Mr. Chairman, could we check that out?

Senator McCLURE. If you would please.

Mr. SMITH. Because, as I last recall, it was up around $10,000 or $11,000 or $12,000. And we might want to get our heads together and check the records.

Ms. GARRETT. That was the fiscal year 1982 figure. I was going to say the fiscal year 1983 figure is higher than that at $8,185.

Senator McCLURE. If you would provide for the record a more complete and hopefully accurate comparison.

Ms. GARRETT. Yes, sir.

[The information follows:]

COST PER STUDENT AT IAIA

The following information shows the cost per student at IAIA for both education and facility operation and maintenance costs for fiscal years 1982–84.

	Actual 1982	Estimate 1983	Estimate 1984
FTE	178	216	212
Per student cost	$11,516	$8,856	$9,358

COLLEGE OF SANTA FE CONTRACT

Senator McCLURE. How much has been budgeted for the IAIA contract with the College of Santa Fe for the fiscal year 1984?

Dr. Ross. Approximately $600,000.

TCCC STUDENTS RECEIVING SCHOLARSHIPS GRANTS

Senator McCLURE. Could you provide for the record the number of students at tribally controlled community colleges who are receiving higher education grants from the Bureau?

Ms. GARRETT. Yes, sir. It is about 20 percent, but we will provide you with the exact figure.

[The information follows:]

STUDENTS ATTENDING TCCC'S RECEIVING HIGHER EDUCATION GRANTS

In fiscal year 1982, 1,037 Indian students enrolled in tribally controlled community colleges received higher education grants. The number receiving grants infiscal year 1983 will not be available until the annual report is submitted for the higher education grant program in August 1983.

STUDENT COUNTS AT TRIBALLY CONTROLLED COMMUNITY COLLEGES (TCCC)

Senator MCCLURE. About 20 percent?

Ms. GARRETT. Yes, sir.

Senator MCCLURE. If you would provide that information, I would appreciate it.

Grants to TCCC's are awarded based on a full-time equivalent count with 15 credit hours counted as one student. While we support this method of counting to assure credit for part-time students, it can lead to one body being counted as more than one student.

If a student is enrolled for 21 hours, he is counted as 1.4 FTE's. What is the relationship between actual people attending these colleges and the FTE counts?

Dr. Ross. We will have to provide that.

Senator MCCLURE. If you would please.

[The information follows:]

STUDENT COUNTS AT TRIBALLY CONTROLLED COMMUNITY COLLEGES

Public Law 95–471 defines a full-time equivalent (FTE) Indian student as a student enrolled for 12 or more hours. The full-time equivalent of the number of Indian students enrolled part-time is the quotient of the sum of the credit hours of all part-time Indian students divided by 12 on a basis of registrations in effect for each tribally controlled community college at the conclusion of the sixth week of an academic term. The student in the example enrolled for 21 credit hours in the above testimony would be counted as one FTE and not as 1.4 FTE. Any credit hours in excess of 12 hours for any one student does not generate extra FTE.

VALIDATION OF FTE COUNTS OF TCCC'S

Senator MCCLURE. If a student is enrolled for 21 hours at the beginning of the semester, thus being counted as more than one FTE, what assurance is there that the student will actually complete the 21 hours?

Dr. Ross. I am not sure we can give you a definite answer.

Senator MCCLURE. Would you provide an answer to that question for the record because it may lead either to your looking at that problem or help us in dealing with the question.

Dr. Ross. Yes, sir.

[The information follows:]

VALIDITY OF STUDENT COUNTS AT TCCC'S

All of the TCCC's maintain a drop-add class listing for each course and this same information is also reflected on the student's class schedule. It would be very difficult for a student, or the college, to manipulate the number of hours to any advantage because of the recordkeeping requirements through the drop-add class listing and the students schedule. It is to the student's advantage to maintain a full-time status for financial aid purposes and the college has nothing to gain if a student carries more than 12 credit hours as each full-time student is counted as one FTE. Any attempt by a part-time stu-

dent, or a full-time student, to manipulate credit hours for whatever reason is readily discernable by reviewing the student's class schedule which would reflect an excessive number of entries. This would be especially true during the second semester for those colleges on a semester basis, and during the second and third quarters for those colleges on a quarter system when the FTE is actually calculated.

AUDIT OF TCCC CLASS COMPLETION RATE

Senator McCLURE. Thank you.

Have you considered auditing the colleges at the end of the semester to determine completion rates to determine if classes are being dropped after the official count is taken?

Games like that are played a lot of different places, not just Indian schools. And I would be the first to say that. I went to school with one of the dumbest girls I ever knew who got a scholarship at the University of Chicago because she did that every semester. She enrolled for 20 hours or more, 25 hours maybe. And about the mid-term, she dropped all the courses she wasn't getting an A in. It made her look brilliant on the record.

And as a matter of fact, I got turned off by a Phi Beta Kappa because she made it.

Mr. FRITZ. I think the answer, Mr. Chairman, is no, we have not. At this point, we haven't studied this situation.

Senator McCLURE. If you would consider that because I do believe that we need to keep track. We need to know whether there is a pattern that needs to be addressed or corrected.

SCHOOL FACILITIES OPERATION AND MAINTENANCE

Let's turn to education facilities operation and maintenance.

While not funded through the education account, the operation and maintenance costs for educational facilities represent a substantial cost to the Bureau.

One problem is the excess capacity in the educational system. This is particularly evident in contract schools. For instance, the Kickapoo Nation school, based on the number of square feet required per student, should have just over 13,000 square feet.

In fact, the facility has 65,000 square feet. So they have five times the amount of space actually required. Consequently, they receive in excess of $113,000 for O&M which is more than some schools with twice the enrollment of the Kickapoo school receive.

The Office of Construction Management has recommended that O&M funding for schools be based on a per student figure rather than a square footage figure. This would result in an annual savings of more than $15 million for academic buildings and more than $8 million for residential facilities.

Are you familiar with these recommendations?

Mr. SMITH. John?

Mr. FRITZ. Mr. Chairman, I am representing the Assistant Secretary on the Departmental Steering Committee. And while this probably, like a number of things in the Department, somehow gets help from those

of us who are supposed to review it within the Department, it sounds good if we can generate that kind of savings.

We haven't seen it either on the Departmental Steering Committee.

Another member of the Steering Committee is here with me. And if we can achieve those kind of savings, I would suggest that that sort of input is invaluable. And we will be looking forward to getting it for departmental review.

Senator McCLURE. We will furnish you with a copy of it.

Mr. FRITZ. It probably would be faster than coming through the official system.

Senator McCLURE. And we can see where the Steering Committee goes.

Mr. FRITZ. The one thing I have done, sir, on behalf of the Assistant Secretary is direct a major review of our entire O&M program. And when I say review, this is really an action plan and not just a study. What we have attempted to do is on behalf of this Assistant Secretary and myself determine really by April 29, which is the deadline date they have for all the issues relating to the O&M program to be identified.

And we will also have a schedule arising out of the identification of those issues. We will have an MBO type schedule finalized for the Assistant Secretary in order to complete the project. And as it proceeds, I am sure if the committee or your staff would be interested, we would be pleased to keep you abreast of our progress.

Senator McCLURE. We would be interested, and we would be pleased to assist in any way we can. We would appreciate being kept informed.

Mr. FRITZ. Yes, sir.

QUARTERS RENTALS

Senator McCLURE. O&M costs for quarters associated with schools are in excess of $17 million. In fiscal year 1982, approximately $6 million was collected in rents. Has there been a rental increase?

Mr. FRITZ. Yes, sir.

Senator McCLURE. When was that?

Mr. FRITZ. It has been increased over the past—I believe Mr. Gorrell, it has been about a year?

It was last April or May.

Senator McCLURE. You have a periodic review on a regularly scheduled basis?

Mr. FRITZ. It had been put on hold as a result of the anti-inflationary effort on the part of the previous administration, but as a result of that cleared by this administration, that ceiling was lifted. And now, it is on a periodic basis.

And one of the problems, however, from our standpoint, is that our quarters are located at such a great distance from, for example, shopping centers and things of that nature. So our employees really have an exorbitant distance to travel in order to get the normal——

Senator McCLURE. I can hear what is coming next. You are going to put up a shopping center for them.

Mr. FRITZ. That is economic development, sir.

But the rates are skyrocketing, really. And it is a departmentwide problem, not only for us, but also for elements of the National Park Service and some of the others. We are examining it. I know Mr. Gorrell is involved in the examination.

Senator McCLURE. If you would do that and provide some information for us as to when you expect the results of that coming forward, I would appreciate that. If you would supply that for the record——

Mr. FRITZ. Yes.

[The information follows:]

QUARTERS RENTALS

The Department has been working with the Office of Management and Budget on the problem which the geographic isolation of quarters presents to those employees whose cost of living is adversely affected by additional travel costs. Rental rates are periodically adjusted to reflect changes in housing costs, but there has not been a recent adjustment in the factor which permits rental rates to be similarly modified so that unusual transportation costs may be taken into account in determining a fair rental rate for quarters.

Circular A–45, which establishes Government policy on quarters management, needs to be updated, and the Department is cooperating with OMB in an effort to revise the circular. One of the issues which we believe should be addressed in this revision is the matter of how to handle the effects of isolation on the cost of living, and how this in turn should be reflected in rental rates set by the Government.

REPAIR AND IMPROVEMENT OF QUARTERS

Senator McCLURE. The rents are currently being applied for repair and improvement of quarters. According to the Office of Construction Management, the repair work should be largely completed by the end of fiscal year 1984.

OCM recommends that the Bureau establish a revolving fund in the fiscal 1985 budget with the rental funds to cover a portion of the O&M and minor improvement costs. What is the Bureau's position on this recommendation?

Mr. FRITZ. At this point, I don't have a position. I am surprised at the date of 1984, too, but——

Senator McCLURE. Will you have a position?

Mr. FRITZ. Yes; most definitely.

Senator McCLURE. Would you provide that for us?

Mr. FRITZ. Yes.

[The information follows:]

REPAIR AND IMPROVEMENT OF QUARTERS

Under departmental policy, the Bureau does set aside quarters rental receipts for the maintenance and repair of quarters. However, because many of our quarters require considerable renovation and repair, we do not expect that by the end of fiscal year 1984, rental receipts alone will be sufficient to complete all of the work that is required. Although a majority of quarters' renovations will be accomplished by the end of fiscal year 1985, for several fiscal years thereafter some portion of regular FI&R

funds will be needed to supplement rental receipts in order to complete the backlog of quarters renovation and repair. As the repair backlog diminishes, the quarters receipts revolving fund should be sufficient to accommodate both repair and O&M needs.

NAVAJO DAY SCHOOL PLAN

Mr. FRITZ. I think that is a topic for the steering committee.

Senator MCCLURE. The committee has received several draft reports on the Navajo day school plan. One which was provided by the Office of Construction Management calls for expansion of several day schools to include grades K through 8 and recommends the closure of 10 schools.

According to this report, the 10 schools could be closed at the end of the current academic year. When will we have the official version of the Navajo day school plan?

Mr. FRITZ. I have asked Mr. Latta to discuss this, but at this point, the study is still underway. It hasn't been finalized by any means.

Mr. LATTA. In 1980, it was decided that in order to get more children who are in school on a day basis that we would expand 10 of the schools on the Navajo Reservation up to the eighth grade. Some of them were K–3, some K–4, some K–6.

By fiscal year 1985, all of the expansions would be complete.

According to the information we have been able to get, that should make it possible for almost 2,000 students to attend those schools on a day basis. Until those have been completed and opened, in operation, we wouldn't know exactly how that is going to affect boarding schools, but we are watching it very closely.

And as soon as we know, then we will have to be in consultation on our educational program to determine which boarding schools are affected and which can be closed. The expansions are a little behind schedule so I think it would be 1985 before they are all in operation, and we can gather a really good answer to that.

Senator MCCLURE. I am sure you are familiar with the Office of Consultation Management draft record.

Mr. LATTA. Right.

Senator MCCLURE. And I think we received that in February last year. And that is the one to which I refer. It said the 10 schools could be closed at the end of the current academic year.

Is there a big slippage in that?

Mr. LATTA. Yes.

Senator MCCLURE. What is the reason for that slippage?

Mr. LATTA. All of the expansions wouldn't be complete until 1985. Construction schedules and other things caused that to happen.

Senator MCCLURE. Would you provide for the record an analysis of OCM's draft report and the reasons why the closures cannot be affected according to the schedule outlined in that report?

Mr. LATTA. Yes.

[The information follows:]

BIA ANALYSIS OF DRAFT NAVAJO DAY SCHOOL PLAN

The draft report prepared by the Office of Construction Management (OCM), dated February 8, 1982, listed eight elementary schools for expansion through the eighth grade. They were to be completed by fiscal year 1984. As of this date, the schools will be open by the times shown below:

Fall of fiscal year 1984: Red Lake Day School, Rocky Ridge Day and Boarding School, Cottonwood Day School, Lukachukai Day and Boarding School, Borrego Pass Day School, and Pueblo Pintado Day and Boarding School.

Fall of fiscal year 1985: Chil Chin Beto Day School, Chi Chil Tah Day and Boarding School, and Ojo Encino Day School.

In addition to the above schools, new schools and other expansions to the eighth grade are as follows:

Fall or winter of 1982: (These are now open.) Red Rock Day School (new construction), Dennehotso Day School (FI&R), and Torreon Day School (new construction).

Fall of 1983: Navajo Mountain Day and Boarding (new construction).

Fall of 1986: Canoncito Day School (FI&R K-12).

The draft OCM report indicated that 10 boarding schools or dorms could be closed as a result of the expansions. Several of the facilities may be turned over to the tribe for noneducational use. To date, no closures have been affected because not enough of the expansions have been completed. By the summer of 1984 the actual number of students that will return to their communities on a day basis will be known. In addition, geographic school attendance boundaries which are being drawn up this summer will have a major unknown impact on the school dormitories. With continued consultation procedures between the Navajo Tribe and the Office of Facilities Management we anticipate some school closures.

1. Jones ranch will close and be consolidated with Chi Chil Tah. The community has agreed to this.

2. Magdalena dorm will close as soon as Alamo Navajo School, now under design, has been built (possibly 1985).

3. The other closures listed in the report will depend upon the impact of the school expansion on them.

Consultation has begun and the Navajo Education Committee is aware of the impact of the expansions upon existing boarding schools.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. I want to thank all of the witnesses and again apologize for the delay in my arrival.

I do appreciate your testimony today and your willingness to provide materials for the record.

There will be some other questions from myself and other members of the committee to be presented to you in writing for response in writing for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Education Programs

Question: How much did the Bureau spend for this Task Force report?

Answer: The Bureau spent $15,900 for activities of the SIPI Task Force.

Question: The greatest proportion of small schools are those classified as previously private -- 15 out of 35 such schools have average enrollments per grade of less than 8 students; 9 of the schools have an average of 5 or fewer students per grade. Neither state nor Bureau educational standards are mandatory. We are assuming that there is some federal responsibility for the education of those children as we are providing money, but apparently little else. Mr. Smith, how would you define our responsibility to those children in terms of education?

Answer: The Bureau is directed through P.L. 93-638 to contract with tribal organizations for programs that include the operation of, or services provided by previously private schools so long as the proposal is not subject to the declination criteria. Once the program has been contracted, the Bureau's educational responsibility to the children served in those small previously private school programs is the same as for any small Bureau operated school program. In FY 1982, the Bureau provided funding for approximately 108 small schools (i.e., schools with an instructional average daily membership (ADM) count of less than 100 students), only 24 of which were previously private school programs.

Question: What is your estimate of the number of Bureau-operated or contract schools which would currently meet the standards which have been published?

Answer: It may be that a number of schools do not meet the standards in one or more areas but may exceed them in others. Only after a standard-by-standard analysis is completed for each school will we know how individual schools measure up. In some cases, the dormitory room configurations will require more staff than currently allocated while others could require less.

Question: Funds were provided in the fiscal year 1983 bill to assist the State of Alaska in the costs of operating an additional 10 Bureau day schools. Will ten schools actually be transferred to the State at the end of this school year?

Answer: The Bureau has received only one village concurrence, in order to accomplish the proposed transfers. The Senate report language directs the Bureau to operate all 20 remaining day schools in Alaska during the 1983-84 academic year unless a resolution of concurrence has been received. Currently it appears that the Bureau will operate 19 Alaska day schools for the 1983-84 academic year.

Question: The report accompanying the appropriations bill required the Bureau to obtain concurrence of the affected villages prior to transfer. With that requirement, do you believe it will be possible to complete the transfer of the remaining 20 Alaska day schools?

Answer: It is not probable that the remaining schools will be transferred without appropriation language indicating that concurrence is not necessary.

Question: What is the USDA contribution to the BIA for the lunch program?

Answer: Since BIA-funded schools were only informed of their official eligibility on February 23 of this year, most schools are just now making application. However, we estimate that approximately one fourth of the schools had applied for funding independently through their respective States. We also estimate that approximately 75 percent of our students would qualify under the USDA criteria. Thus, 75% x 40,500 students = 30,375 @ $1.04/student/day x 180 school days = $5,686,200. Bureau schools also receive commodities and

in some cases, School Breakfast and Special Milk programs. For schools participating in the school lunch program, USDA will reimburse the schools (through the states) for lunches provided to eligible students.

Pre- Kindergarten Programs

Question: In line with the fiscal 1983 conference report the Bureau has requested no funding for the pre-kindergarten programs which currently serve about 1,000 Indian children out of an estimated eligible population of 88,600. Preschool programs may be provided for 3 and 4 year olds under the Johnson-O'Malley program. Do you know how many of the 16 existing prekindergarten programs could be served through JOM if that were the local decision?

Answer: Johnson-O'Malley program eligibility requirements include children from ages 3 through grade 12. Therefore, all of the 3 and 4 year old pre-kindergarten children are eligible for funding under the Johnson-O'Malley program.

Tribally Controlled Community Colleges

Question: Of the students enrolled in TCCC's how many carry less than 14 hours and how many carry in excess of 18 hours?

Answer: In academic year 1981-82 the following is the breakdown of the students enrolled in TCCC's that carried less than 15 hours and the students who carried in excess of 18 hours?

	Less than 15 Hours	Excess of 18 Hours
Title I	2,459	178
Title II	2,541	82
Total	5,000	260

Question: The reauthorizing legislation for TCCC's was vetoed last year. For the record, please submit the Department's recommendations for changes in the current law which would be considered as part of reauthorization.

Answer: The following are recomendations for changes to H.R. 2307, a bill "To amend and extend the Tribally Controlled Community Colleges Assistance Act of 1978."

The first section of H.R. 2307 would amend the "Definitions" section of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801) by altering the definition of "Indian"; clarifying the role of the Secretary of the Interior in determining satisfactory progress toward accredition by a college; and adding a new paragraph (7) containing a method for counting Indian students. We believe this amendment is unncessary. In administering the Act, we have found the current definitions to be accurate and appropriate ones. We therefore recommend that this section be deleted from H.R. 2307.

Section 2 of H.R. 2307 would provide for grants that could be used for the improvement and expansion of physical facilities of tribal colleges. We do not currently provide funds for improvement or expansion of such facilities. When the program was originally conceived, Congress contemplated use of existing community facilities. The implementation of a major new building program when there are so many other competing tribal needs appears to us to be duplicative, unwarranted, and inadvisable under current economic conditions. In addition, the assumption of the cost of an entire new building program, as well as renovation and maintenance, is ill-timed and could add to an already burgeoning budget deficit. Funds provided through the Bureau of Indian Affairs for the tribally controlled community colleges assistance program have been limited to program support only. We do not support broadening those limits.

Section 3(a)(1) of H.R. 2307 would require the Secretary to provide grants to tribally controlled community colleges, rather than authorize him to do so, as is currently stipulated by the Act. This provision would restrict unnecessarily the Secretary's ability to allocate funds efficiently, and we object to its inclusion in the bill.

Section 4 of H.R. 2307 would redesignate sections 104 through 114 of the Act as sections 105 through 115 respectively, and insert a new section 104 which would provide for planning grants to be made to tribes and tribal entities for the purpose of developing proposals for establishment of new tribally controlled community colleges or for determining the need and potential for such colleges. The number of such grants would not exceed five per year in the amount of $15,000 for each grant. We believe it is likely that a tribe which is interested in such planning could provide $15,000 for planning from its own funds. We also believe tribal needs an interests, rather than additional funds, will best motivate the analysis and development that are necessary to meet new educational needs and opportunities. Accordingly, we have concluded that this analysis and planning is best done at the option of the individual tribes within available resources and as part of their regular developmental processes. In light of the Administration's efforts to decrease Federal spending, we cannot support a request for the additional funds this section would require.

Section 5 fo H.R. 2307 would limit recipients of technical assistance grants to those colleges already receiving funds under the Act. This could prevent new institutions from receiving such assistance. This is inherently unfair because institutions seeking to become qualified for grants may be in greater need of technical assistance than older, more established institutions.

Section 6 of H.R 2307 would amend section 106 of the Act to change the term "feasibility" to "eligibility" and would broaden substantially the scope of grants provided to tribally controlled community colleges. Under the current Act, no grant applications may be considered by the Secretary unless a feasibility study has been conducted and it has been determined that the proposed community college will service a reasonable Indian student population. By eliminating the requirement that proposed community colleges demonstrate feasibility, H.R. 2307 would contribute to the creation of facilities that are unnecessary or that have little chance of successful operation.

Section 7 of H.R. 2307 would gradually increase the maximum per student amount of grants. We understand that these figures reflect projected inflation-caused increases in the education sector as set forth by the Congressional Budget Office. However, actual funding has been less than the $4,000 per student currently provided under the Act, and it is possible that future Federal budget limitations could necessitate even lower amounts of funding. We therefore oppose this section.

Section 8 of H.R. 2307 would require the Secretary to provide funding under both this bill and the Snyder Act without considering funding received under the other authority. This amendment would prevent the Secretary from allocating Department funds in accordance with need and would contribute to disparities in funding of tribally controlled community colleges. We recommend that section 8 be amended by inserting the word "solely" after the word "altered" in the new section 109(b)(1), and inserting the word "solely" after the date "November 2, 1921," in the new section 109(b)(2).

Section 10 of H.R. 2307 would amend section 111(a) of the Act to prevent funding of any newly qualified colleges if such funding would result in reducing the per capita amount received by the previously funded colleges to an amount less than they received in the previous year. If enacted, this section could result in the virtual "lock out" of funding for any newly qualified colleges, by limiting funding to only those colleges already receiving support under the Act. We believe this is unfair and therefore oppose the provision.

Section 11 of H.R 2307 would provide that the Administrator of General Services study the facilities of tribally controlled community colleges to identify the need for new construction, remodeling, repair, alteration, and reconstruction necessary to comply with local building codes. We understand that the GSA opposes this provision, and we concur in that position.

Section 12 of H.R. 2307 would amend the redesignated section 113 of the Act to allow the Secretary to provide construction grants to those colleges where facilities are deemed by the Administrator of General Services to be in need of new construction. It also sets forth the criteria to be met by colleges

applying for such grants. We oppose this provision because we do not believe such funding is appropriate in this time of fiscal restraint. Futher, we believe that the provision of these facilities is the appropriate responsibility of the tribal governments involved.

Section 13 of H.R. 2307 would amend the Act by adding a new title III, which would provide for an endowment program for the colleges. Funding would be provided by endowment grants from $5 million to be appropriated to carry out the terms of title III for fiscal years 1985, 1986, and 1987; a matching contribution from the college would also be required. We do not believe such a program is appropriate in the current budgetary climate.

New Facility Operation and Maintenance

Question: All seven schools on the list to receive new O&M funds are either replacements for existing schools or additions to existing schools, therefore, O&M costs are also included in the base. For the record, please indicate which are replacements and which are expansions; the O&M funds available to each in fiscal years 1982 and 1983; the square footage at the existing schools; the square footage of the new construction; and the annual estimated O&M costs for each.

Answer: See the following chart:

Facility Name	Type	FY 1982 O&M	FY 1983 O&M	Sq. Ft. (Existing)	Sq. FT. (New)	Estimated O&M cost
Little Eagle	Repl.	$ 26,099	$ 75,000	18,359	19,678	$ 55,500
Bug-O-Nay-Ge-Shig	Repl.	6,234	97,500	11,700	39,580	111,500
Moencopi	Repl.	51,685	61,400	10,037	12,000	34,000
Navajo Mountain	Repl.	52,356	56,000	7,969	55,925	158,000
Rough Rock	Repl.	237,000	385,000	7,296	33,800	95,000
St. Stephens	Repl.	97,000	136,198	29,100	51,981	146,500
Ft. Totten	Repl.	45,605	378,000	39,034	120,730	338,000
		$515,979	$1,189,098			$938,500

Facility Operation and Maintenance

Question: If the State does have a plan to use Mt. Edgecumbe, would it be possible for the Bureau to provide minimal maintenance and security for the facility in the coming year while the details are worked out? Please provide the estimated cost of such activity for the record.

Answer: Minimal maintenance and security for Mt. Edgecumbe could be provided at an estimated cost of $260,000 per year. Funds to carry out this activity are available within the amount requested for Facilities Management.

Question: To date, four off-reservation boarding schools have been closed. At what schools is the Bureau still incurring maintenance and security costs and in what amounts?

Answer: The estimated cost in FY 1983 for the security and minimal maintenance for four closed schools are as follows:

Chilocco.....$157,000
Ft. Sill.....$142,000
Seneca.....Tribally Owned
Stewart.....$40,000

Question: How long will this situation continue?

Answer: The Bureau will continue providing these services until all of the properties are disposed of.

School Lunch Program

Question: Has the court decided on the merits of the case, that is are all Indian children entitled to a free lunch even if their parents have an income of perhaps $50,000 or $100,000 a year? What is the cost of providing the school lunches in the New Mexico case?

Answer: Yes, the Tenth Circuit court held that no express provision in any statute or treaty requires the Federal government to provide free lunches to all Indian children. However, the court also found that BIA had violated the Administrative Procedures Act by not publishing its change in policy, i.e., stopping the use of JOM funds and taking advantage of the United States Department of Agriculture (USDA) program. An injunction was issued requiring BIA to pay for lunches of USDA non-eligibles until the rulemaking was effective.

At $1.04 per student per day for approximately 3,216 students in New Mexico who do not meet the USDA eligibility criteria, the cost is $3,345 per day or $602,000 for a 180 day school year.

Question: USDA has proposed to discontinue support of the school lunch program at Bureau schools. What is the status of that proposal?

Answer: A February 18, 1983 memo from the USDA Assistant Secretary, Food and Consumer Services to Assistant Secretary-Indian Affairs made BIA eligible for participation in the program. The BIA has opposed Agriculture's legislative proposal #5 which would eliminate our participation. At a meeting with the Director of USDA's Food and Nutrition Service on April 18, 1983 the BIA was informed that the proposal was meeting with resistance generally and likely would be withdrawn.

Discuss the 1st three schools on the priority list: Papago, Cheyenne Consolidated School and Two Eagle River.

Question: Describe the design or construction stage as well as the funds which are available for these three schools.

Answer: All three schools are in early design stage and no architect has been selected for any of them. Actual construction is in the future (1 year before construction will start). These schools have been funded for design only.

Question: Describe what boarding schools or peripheral dorms will (could) be closed as a result.

Answer: Papago - No dorms would be closed because those students go to Phoenix and Sherman and they are large enough so that there would be little or no impact.

Cheyenne River Consolidated School - This is a replacement for what is already there so it would not affect any dorm enrollment.

Two Eagle River - There would be no effect on dorms because only a few students in that community go to boarding school.

Question: Discuss status of Navajo Day School expansion and concommitant boarding closures.

Answer: The draft report prepared by OCM, dated 2/8/82, listed eight elementary schools for expansion through the eighth grade. They were to be completed by FY 1984. As of this date, the schools will be open by the times shown below.

Fall of FY 1984:

Red Lake Day School
Rocky Ridge Day & Bdg. School
Cottonwood Day School
Lukachukai Day & Boarding School
Borrego Pass Day School
Pueblo Pintado Day & Bdg. School

Fall of FY 1985:

Chil Chin Beto Day School
Chi Chil Tah Day & Boarding School
Ojo Encino Day School

In addition to the above schools, new schools and other expansions to the 8th grade are as follows.

Fall or Winter of 1982: (These are now open)

Red Rock Day School (New construction)
Dennehotso Day School (FI&R)
Torreon Day School (New Construction)

Fall of 1983: Navajo Mountain Day & Boarding School (New construction)

Fall of 1986: Canoncito Day School (FI&R K-12)

The draft OCM report indicated that 10 boarding schools or dorms could be closed as a result of the expansions. Several of the facilities may be turned over to the Tribe for non-educational use. To date, no closures have been affected because not enough of the expansions have been completed. By the summer of 1984 the actual number of students that will return to their communities on a day basis will be known. With continued consultation procedures between the Navajo Tribe and the Office of Facilities Management, we anticipate some school closures.

1. Jones Ranch will close and be consolidated with Chi Chil Tah. The community has agreed to this.

2. Magdalena Dorm will close as soon as Alamo Navajo School, now under design, has been built. (Possibly 1985)

3. The other closures listed in the report will depend upon the impact of the school expansion on them.

Consultation has begun and the Navajo Education Committee is aware of the impact of the expansions upon existing boarding schools.

Question: Discuss Hopi Junior/Senior High School and closures which would result.

Answer: The schools which would be impacted by the building of Hopi Junior/Senior High School are Phoenix and Sherman where most of the Hopi students attend. Consultation on a future year closure of Phoenix has already accurred.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Question: Would you please identify, in order of ranking, the schools now included on the BIA's current school construction priority list? Which of these schools have "commitment-to-fund" status? What is the status of the design work on each of these projects?

Answer: The 1984 school construction priority list is ranked as follows:

1. Western Cheyenne River Consolidated School, SD
2. Papago High School, AZ
3. Two Eagle River Indian High School, MT
4. Rocky Boys Indian High School, MT
5. Coeur D' Alene Indian School, ID

6. Paschal Sherman Indian School, WA
7. Lac Courte Oreilles Ojibwa School, WI

None of these projects are in the committed category. The only committed projects are Hopi Junior High School which is funded and Alamo Navajo School now under design but not funded for construction. Development of the educational specification has begun for the first three projects on the priority list, no other design work has been completed.

Question: The President's FY 1984 budget request included $14.6 million for the construction of Hopi High School. The FY 1983 Emergency Jobs Supplemental recently signed into law (P.L. 98-8) provides $24.45 million for the construction of the Hopi High School and related facilities. Given the fact that funding previously requested for the construction of the Hopi High School in FY 1984 has been provided in FY 1983, will the Administration's FY 1984 request now allow for the construction of other schools with "commitment-to-fund" status? If so, which schools and at what level of funding?

Answer: A negative budget amendment has been submitted to delete the Hopi request from the FY 1984 request. No other school construction funds are being requested.

Question: What is your view of phasing project construction over more than one fiscal year? Doesn't this just add to total project cost?

Answer: Phasing which results from logical scheduling constraints for a particular project (access, school year, need, deferred equipment, etc.) can be logically planned for without increasing cost. Phasing which is dictated solely by availability of funding is likely to increase the total project cost, either because of needed modifications to project design or multiple contracts usually negotiated at higher prices than single contracts.

Question: Many of the contract schools in my State have documented operation and maintenance funding shortfalls. The Administration requests $76.4 million in FY 1984 for operation and maintenance. Is this funding level adequate to properly maintain all facilities? If not, what funding level would be adequate?

Answer: The requested $76.4 million is adequate. Subsequent to submission of the FY 1984 request, changes have been proposed in those closures/transfers which will change the requirement for funds. A net increase of $4,003,000 is included in the FY 1984 request. Therefore any additional costs as a result of those changes in closures or transfers can be covered without a detrimental effect on the operations and maintenance funding for other facilities.

Question: To the extent there remains a shortfall in operation and maintenance funding, will the Administration consider a reprogramming request to eliminate the inequities in operation and maintenance apportionments at the area level?

Answer: At this time no requirement for reprogramming is anticipated since no shortfall is expected.

Questions Submitted by Senator Ted Stevens

This compilation is based on somewhat preliminary data but is reasonable for discussion purposes at this time. In order to establish a more accurate dollar value of this facility, it is recommended that it be inspected by a competent appraiser.

Question: What portion of the upgrade estimate is for essential life and safety requirements?

Answer: The cost of correcting essential life and safety related deficiencies is estimated to be between $5,145,000 and $7,000,000. It is recommended the higher figure (from Alaska State officials) be used.

Question: I understand that the electrical distribution serves both the School and the IHS hospital and that it is in need of replacement. Who has had the primary responsibility for this system and what is the estimated replacement cost?

Answer: It is estimated that the replacement of the electrical distribution system serving both the school and the hospital would be in excess of $120,000. The Bureau of Indian Affairs has had the primary responsibility for this system. The Indian Health Service owns the system but BIA utilizes 75% of the system and thus maintains it.

Question: Can you estimate the value of the lands and the buildings which would be turned over to the state?

Answer: The land on which the school and related facilities are located is comprised of two parcels totaling 50 acres. An estimate of facilities and land value are:

-50 acres of land @ $110,000.00 ± per acre (based on data from the Juneau Area)	$± 5,500,000.00
-Utilities sytems, etc., for ± 50 acres under consideration	± 4,000,000.00
-19 Buildings	$± 24,937,000.00
Estimated total value of property under consideration	$ 34,437,000.00

Question: Would legislative language be required to transfer this facility and the land to the State?

Answer: Yes. However, the Department of Health and Human Services (HHS) and not the Department of the Interior administers the property. The Bureau of Indian Affairs operates the Mt. Edgecumbe boarding school with its related buildings located on 50 acres under a use permit from HHS and the Indian Health Service. The total acreage at the site includes an additional 64 acres adjacent to the school parcels. It is our understanding that HHS has authority to transfer real property to a state or local government under 40 U.S.C. 484k.

Question: Under State law, Alaska could not operate this as a Native school -- it would be open to all children -- the statement should address this.

Answer: The same code quoted in 4 above does also require that under such a transfer the school would have to be open to all children, not just Alaska Native children.

Question: Using '83 enrollment data at Mt. Edgecumbe, please estimate the additional funds which would be available to the State if this were a public school from JOM, Impact Aid, and Title IV (use current funding level of $143 per student).

Answer: 1983 enrollment figures indicate 349 students at Mt. Edgecumbe. Based on this the following estimated funds would be available to the State from the sources listed:

J.O.M. = $250/student x 349 students =	$ 87,250
Impact Aid = $2,200/student x 349 students x 80% = (The 80% figure is essential because + 20% of the Native students, those from municipalities, are not eligible for such funds.)	614,240
Title IV = $143/student x 349 students =	49,907
Total estimated assistance for the current enrollment	$751,397

Question: There was also a request 4 or 5 years ago for repairs to the water system. Was this work done - if not, what is the requirement, what is the cost?

Answer: The existing domestic water distribution system is currently in fair to poor condition. It is estimated that approximately $3,500,000 to $5,500,000 is required to replace, repair and improve the distribution system. The main service system has been improved and is in good condition.

SUBCOMMITTEE RECESS

Senator McCLURE. With that, the subcommittee will stand in recess until 2 p.m., April 13 at which time, we will review the fiscal year 1984 budget estimates for the noneducation activities of the Bureau of Indian Affairs.

Again, thank you very much.

[Whereupon, at 4:08 p.m., Tuesday, April 12, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 13.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, APRIL 13, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Ted Stevens presiding.

Present: Senators McClure, Stevens, Andrews, and Burdick.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

STATEMENT OF KENNETH L. SMITH, ASSISTANT SECRETARY OF THE INTERIOR FOR INDIAN AFFAIRS

ACCOMPANIED BY:

JOHN W. FRITZ, DEPUTY ASSISTANT SECRETARY OF THE INTERIOR FOR INDIAN AFFAIRS (OPERATIONS)
JOSEPH W. GORRELL, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR
DR. KENNETH ROSS, ACTING DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
NANCY GARRETT, DEPUTY DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
CHARLES JOHNSON, ACTING ASSISTANT DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
DR. JAMES MARTIN, ACTING ASSISTANT DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
THEODORE KRENZKE, DIRECTOR, OFFICE OF INDIAN SERVICES
SIDNEY MILLS, DIRECTOR, OFFICE OF TRUST RESPONSIBILITIES
RICHARD BALSIGER, DIRECTOR, OFFICE OF ADMINISTRATION
CHARLES HUGHES, DIRECTOR, FINANCIAL MANAGEMENT
THOMAS STANGL, CHIEF, PROGRAM DEVELOPMENT AND IMPLEMENTATION

NORTH STAR OPERATIONS

Senator STEVENS. Good afternoon.

I have a few things that I wanted to get into yesterday that I was not able to get to. One is the North Star.

We have heard repeated concerns from the villages in which the day schools are located, expressing the fear that if the day schools are trans-

ferred to State operation, that the North Star operation would be abandoned.

There is a process of renovation for the North Star III going on now. I understand there are projected expenses of $4.5 million in the 1984 budget for the North Star.

My question is: Is there any intention on the part of the Bureau to abandon the North Star if those schools are transferred?

Mr. SMITH. Mr. Chairman, I'm not aware of any such plans.

Senator STEVENS. Well, what is the source of the funds, other than education, for that operation?

Mr. SMITH. I'm going to ask Chuck Hughes to respond to that.

Mr. HUGHES. It's in the reimbursable programs, Mr. Chairman. It's in the budget justification on page 229, under "Reimbursable programs," together with some other items in a line called "Facilities management." It's carried there. I do not have the breakdown of that figure available.

My understanding—my recollection is it's between $3 to $4 million—in that figure—as a reimbursable program.

Senator STEVENS. Well, no funds have been directly appropriated for operating the North Star for some period of time; is that correct?

Mr. HUGHES. That's correct.

Senator STEVENS. It would be correct to say that the support for these operations depends upon the Bureau interpreting its budget to include the continuation of that program; is that right?

Mr. HUGHES. In a sense, yes; that's where we do carry the amount and funds from that line.

Senator STEVENS. All right.

Well, what's the justification for the program if the Bureau's schools are transferred?

Mr. HUGHES. Without my knowing the details of this, sir, staff suggests that it is a lack of any other transport system, a lack of an alternative.

Senator STEVENS. There is no transportation system, that's true, except this, for that whole northwest area.

I just had some visitors from Diomede who expressed a concern about it. I've had concern expressed from the Pribilofs, and up along the northwest coast. They fear that the one certain vessel that's going to call at their village each year might not come if the State takes over their operation of day schools.

Have you explored any kind of a commitment for the continuation of this operation for a period of years?

Would you be prepared to explore that with the State if you haven't?

Mr. SMITH. We'd be glad to explore that, if possible. We have not done it on a long-term basis.

Senator STEVENS. I think that it's possible to evolve a change in the maritime subsidy system to give the subsidy to a private operator eventually. But I think for a period of—oh, I would assume it would have to be at least 6 to 8 years, a substantially long term, for the operational life is of the North Star, in its renovated condition.

That northwest coast, incidentally, is equal to the entire coastline of the United States, and it has a population base of about 90- to 100,000 people. It is almost impossible to conceive at this time, even on a subsidized basis, that we could put together a substitute for the North Star within a short period of time. There would have to be a long leadtime to work into that new operation, and I think they need a commitment for the immediate period ahead—for 6 to 8 years—before they would even consider this change.

Mr. BALSIGER. Well, Senator, I think, also, in the Reagan administration, there have been discussions between the Area Director of our Alaska office and the State. We are carrying cargo for the State for a number of situations besides the Bureau schools that are up in that territory.

We have no intention of abandoning the North Star as long as we can keep it on a paying basis. Even then, we would have to consider what impact that would have on the villages up in that area.

The director of our Alaska office is very much aware of it, and he has been working with the State on this type of an operation.

Senator STEVENS. Well, I think it would be helpful if, in the process of your consideration, you could give those people who are consulting with the villages affected a firm position that could be stated that the Bureau had agreed with the State that this North Star operation would be continued for at least a definite period of time, that it would facilitate this transfer.

I believe the State wants to complete the day school transfer, and it would be in the best interests of all concerned to get that done.

The key to that transfer is becoming the North Star. So, whatever you could do would be very helpful.

[Pause.]

ALASKA DAY SCHOOL TRANSFERS

Ms. Richardson tells me that yesterday, after I left, you stated that you have delayed the transfer of the day schools, so it's now scheduled for 1984–85? Is that right?

Mr. SMITH. We proposed to transfer 10 schools in fiscal year 1983 and 10 schools in fiscal year 1984. But it appears at this point we won't be able to implement that transfer because of the current requirement for a village resolution.

Senator STEVENS. Well, I think we should work together to achieve the consolidation of those schools, and I'd be happy to continue to do that with you. I think we have to try to find out the source of the resistance of these last villages.

The other is, the State's position with regard to the status of these local school boards in relation to the State-operated schools.

And I think the third one really is related to the fear that if the 20 day schools do transfer, that that would automatically topple the Mount Edgecumbe situation without regard for the merits of the Mount Edgecumbe problem. You'll find that many of those villages that are in-

sistent on keeping Bureau-operated schools are also the source of a considerable number of the people that are going to Mount Edgecumbe, and that it's a consolidated problem of the day schools and Mount Edgecumbe.

I do thank you, gentlemen.

I see my good friend from North Dakota is here. He has a series of questions, I'm certain.

OPERATION OF WAHPETON INDIAN SCHOOL

Senator ANDREWS. Thank you, Senator.

I don't really have a series of questions. But the main thing I want to do is to thank Ken Smith for taking the time to come out to my State and visit the Wahpeton Indian School this winter. Mr. Smith, I know that you met with the teachers, the administrators, and the students while you were there and that you got a chance to evaluate the school.

And I also appreciate the fact that, based on this visit, your evaluation, that this school does serve a necessary function and provides an education and stable living environment for the children who, without the school, wouldn't receive comparable academic and residential programs and activities, that you now intend to continue to operate the Wahpeton Indian School for an indefinite period of time.

Is that correct?

Mr. SMITH. Yes, sir. That was our recommendation.

Senator ANDREWS. Well, I appreciate that. And I think that's very significant and that you're going to operate it from grades 4 through——

Mr. SMITH. Yes, sir. Grades 4 through 8.

Senator ANDREWS. And I was just wondering that in the BIA budget justification for fiscal 1984, there's a summary of compiled reasons for enrollment at the Wahpeton Indian School.

The summary indicates the vast majority of the students are attending this school because of educational and/or social deficiencies at home, ranging from problems with truancy at the local schools to lack of a stable environment, including rejection and lack of supervision.

And I assume that this is the summary that you now stand by and that you agree that the majority of these students are there not because they're problem children, but because they come from problem homes or a problem environment.

Mr. SMITH. That's generally true.

I have Jim Martin to answer any detailed questions. Jim coordinated our group study, our comprehensive study.

And I might say, Mr. Chairman, it's probably one of the better studies that I've seen, for a long, long time, come out of our Education Directorate.

Senator ANDREWS. Good.

Mr. SMITH. It's a good comprehensive study on off-reservation classrooms.

Senator ANDREWS. So after the year of back and forth between your shop and our shop, it now comes down on——

Mr. SMITH. Right.

JOHNSON O'MALLEY EDUCATIONAL ASSISTANCE

Senator ANDREWS [continuing]. The side of what we figured.

And you know, really, that's rewarding.

And the main reason that I wanted to come—drop by this afternoon was to say thanks, because you did a good job on that one.

Another question, on Johnson-O'Malley for a minute—and then I'll get back to a couple of others on Wahpeton.

I've been receiving inquiries regarding the distribution formula utilized by the BIA and the distribution of Johnson-O'Malley funds to tribes for education of Indian children.

The inquiries seem to indicate that the lower 48 State tribes are being unfairly penalized because of the high cost of education in Alaska and that, as a result, the distribution formula allows for a higher per-student allocation for Alaska Native students, as compared to the lower 48 tribes.

Can you tell me if this situation is being reviewed? And what plans does the BIA have in addressing this problem?

Mr. SMITH. I'll have Dr. Ken Ross respond to that.

Dr. ROSS. Senator Andrews, I had the opportunity to meet this morning with a delegation from the Oglala-Sioux Tribal Council with respect to that very same question.

Since I have been Acting Director since February 6 it was eye opening, to say the least, to see the distribution within the current formula.

I have directed the staff to take a look at that entire situation.

Since we are in the middle of revising our regulations, there was some concern with respect to the method of initially arriving at the formula. So, all of that information will be pulled together.

We will have a concentrated effort reviewing the JOM distribution formula.

Senator STEVENS. Well, will the States be involved in that review? I was part of the original formulation of that formula. I know what caused that difference—I hope everyone else does—that we used State-operated school, daily per capita costs for that distribution formula in requests for Alaska.

I don't know what other States used. I know what our State is using, and it is an actual cost figure.

Are you indicating, in response to my—my former friend, sitting beside me here, that——[Laughter.]

Senator ANDREWS. What do you mean, former friend?

Senator STEVENS. I knew that would wake him up, but——[Laughter.]

That you're going to change that pattern because the costs of the Alaska education system for State-operated schools is excessive?

Dr. ROSS. No, sir. Basically, what we are going to be taking a look at is the total impact of the formula as it applies across the board.

And it will involve——

Senator STEVENS. And at my request, we added money to that budget, as you know, because of the increase in the number of students coming under the formula due to the State's accepting these schools. But I could very easily convince my State to reverse the pattern and demand BIA's operation of the Indian schools if that's my friend's desire. The cost is much greater to operate the schools than it is for us to participate in JOM.

Senator ANDREWS. Let me assure my good friend from Alaska that the problem that we're having—not just here in the committee that we serve on, but also upstairs in the Select Committee on Indian Affairs—is justifying some of these things that we have done in Congress. We want to make it crystal clear on the record that there is a reason for this.

And I am sure that my colleague and great friend from Alaska is going to make sure that the record is replete with all of the good statements and all of the good reasons and all of the great causes to justify what I am sure my friend from Alaska wants justified.

Senator STEVENS. I am happy to reaffirm that friendship on that basis. [Laughter.]

Senator ANDREWS. Well, I'm glad that I went out of favor and back into favor in such a quick time.

And I would invite the Senator from Alaska to come, with his great and good friends from Alaska, to testify before us on the select committee to help make that record crystal clear.

And I am sure that Ken Smith and his people will be more than happy to get the proper items and facts into the record so that we don't make a mistake down the line here.

Senator STEVENS. Let me just make a point for you.

What's the cost of operating the 20 day schools that were still operating the last of this year?

Senator ANDREWS. When you start getting the figures from the third row up, you know they're accurate figures. [Laughter.]

The first row has problems on that, and the second row has questions. But the third row always knows the answer. [Laughter.]

[Pause.]

Dr. Ross. In the school year 1982–83, for an ADM of 1,067, we have a grand total of $8,184,156.

Senator ANDREWS. But the total cost of operating the 20 schools is what, some several million dollars; right?

Dr. Ross. $8 million.

Senator ANDREWS. $8 million, did you say?

Dr. Ross. Yes, sir.

Senator STEVENS. And that's about—for my good friend—that's about 20 percent of the schools in the system that have JOM. It would be 4 to 1 for the JOM.

What I'm saying to you is that it costs $5 million, roughly—$6 million for the total JOM allocation. It costs $8 million to operate only 20 schools, so that the Federal Government is saving funds by the State participating in this education process.

I wouldn't want to discourage that by refusing the JOM participation amount—that that has made it possible for the State to take this over.

Senator ANDREWS. Might I say that, knowing of your great concern and deep involvement with these Alaska schools, I just wanted to set the record straight.

GENERAL ASSISTANCE GRANTS PROGRAM

Senator STEVENS. Now, I've been acquainted with the fact that we're on a different subject today, and I was continuing the matters of yesterday—and that the Chairman will be along soon.

Meanwhile, perhaps I could get into some of these things that would be of parochial interest to me anyway, such as the question of general assistance payments that we went into a little bit yesterday.

Have you had a chance to review that ninth circuit opinion since we talked yesterday?

Mr. KRENZKE. I talked a little with the Solicitor's Office this morning and rescheduled the meeting for tomorrow. It will be in the Solicitor's Office, and our social services staff will develop a recommended policy and legal position for the Department relative to the opinion.

Senator STEVENS. All right.

Well, we'll await that comment the Alaska decision.

With regard to the 1983 bill, you were directed to move expeditiously to reduce general assistance payments in the States where the State paid less than 100 percent of the standard of need.

Have you implemented that directive?

Mr. KRENZKE. Mr. Chairman, in January we placed a regulation implementing that directive on OMB's semiannual agenda listing. Since that time, we have developed the actual regulation. And I would be happy to furnish a copy of that draft for the committee.

We anticipate that it will be published for comment sometime within the next 30 days. It should be published by mid-July in final, and it would be in effect 30 days thereafter.

[The information follows:]

FINANCIAL ASSISTANCE AND SOCIAL SERVICES PROGRAM (25 CFR PART 20)

Agency: Bureau of Indian Affairs, Department of the Interior.

Action: Proposed rule.

Summary: The Bureau of Indian Affairs proposes to modify existing financial assistance and social services program regulations to implement changes as directed by the congressional directive in the fiscal year 1983 appropriations Conference Report No. 97-978, dated December 17, 1982. The report states on page 20 that, "The managers direct the Bureau to move expeditiously to implement changes in the general assistance program to bring payments into conformance with State payments in those States where the standard of need exceeds actual payments. The regulations shall provide flexibility for the Bureau to adjust payments as such payments may be adjusted by the States." This practice by some State public welfare agencies has been employed over the years to accommodate State budgetary constraints, and is commonly referred to as a "Ratable Reduction".

Date: Comments must be received on or before (30 days after date of publication in the Federal Register).

Address: Written comments should be addressed to; Chief, Division of Social Services, Bureau of Indian Affairs, 1951 Constitution Avenue, N.W., Washington, D.C.

For further information contact: Raymond V. Butler, Chief, Division of Social Services, Bureau of Indian Affairs.

Supplementary information: The Bureau of Indian Affairs is publishing a proposed rule which amends section 20.1, Definitions, by revising paragraphs (s) and (w). The revised paragraphs incorporate the changes directed by the congressional report.

With the enactment of the 1981 Omnibus Budget Reconciliation Act, which made many changes in the Aid to Families with Dependent Children (AFDC) program, many States increased the standard of need and imposed a ratable reduction on actual payment levels to maximize available funding in the Federal/State matching formula. (In an American Public Welfare Association report issued December 28, 1982, 21 of the 50 States had increased standards of need.) This situation created some marked differences between the standard of need and actual payment levels, which brought the issue to the attention of the Congress. The Bureau has had a long-standing policy (since 1944) of general assistance payments being paid at 100 percent of the standard of need in the State wherein the recipient lives. However, since the general assistance program is federally funded, the Bureau is proposing a floor or minimum payment level of not less than one-third of the national poverty levels as established annually by the Department of Commerce to avoid excessive hardship. Also, as is the practice in States where the level of payment is less than the standard of need, the Bureau proposes to permit the offset of any available income to an applicant or recipient up to the extent of the dollar difference between the actual payment level and the standard of need.

This rule document does not constitute a major Federal action significantly affecting the quality of the human environment under the National Environment Policy Act of 1969.

This document does not contain any information collection requirements which require the approval by the Office of Management and Budget under 44 U.S.C. 3501 *et seq.*

The Department of the Interior has determined that this document is not a major rule under Executive Order 12291 and certifies that this document will not have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) Under present status only six locations will be affected by this rule and the economic effects will be minimal.

This proposed rule is published in exercise of authority delegated by the Secretary of the Interior to the Assistant Secretary—Indian Affairs by 209 DM 8.

The policy of the Department of the Interior is, whenever practical, to afford the public an opportunity to participate in the rulemaking process. Accordingly, interested persons may submit written comments, suggestions or objections regarding the proposed rule. The primary author of this document is Raymond V. Butler, Chief, Division of Social Services, Bureau of Indian Affairs.

Lists of subjects contained in 25 CFR part 20: Administrative practice and procedure; child welfare; Indians—social welfare; and public assistance programs.

It is proposed to amend part 20 of title 25 of the Code of Federal Regulations by revising paragraphs (s) and (w) of section 20.1 to read as follows:

§20.1 Definitions.

* * * * * * *

(s) "Need" means the deficit between resources and money amounts necessary to meet the cost of basic items and/or special items by the applicant or recipient as established pursuant to the Social Security Act by the public welfare agency of the State in which the applicant or recipient resides and which shall be used by the Bureau in determining the amount of financial assistance to be provided to the applicant or recipient residing in that State. However, in any State where the level of payment is less than the standard of need, the Bureau shall use the level of actual payment in determining the amount of financial assistance to be provided to the applicant or recipient residing in that State, except that no payment level shall be less than one-third of the national annual poverty level as published by the U.S. Department of Commerce.

* * * * * * *

(w) "Resources" means services or income available to an Indian person or family unless excluded by Federal statute for public assistance or Supplemental Security Income from being considered as income for the purpose of determining financial need. However, in any State where the level of payment is less than the standard of need, available net income shall be exempt to the extent of the dollar difference between the level of payment and the standard of need.

* * * * * * *

(Catalog of Federal Domestic Assistance Program—15.113 Indian—General Associations)

Assistant Secretary—Indian Affairs

REALIZED SAVINGS FROM CHANGES

Senator STEVENS. When would you expect to start realizing savings as a result of those changes.

Mr. KRENZKE. Those savings would be realized as soon as it becomes effective, which would be 30 days after the final publication.

Right now, I would anticipate that would be about mid-August.

Senator STEVENS. I see my good friend, the chairman, is here.

Senator MCCLURE. No, go right ahead. [Laughter.]

INDIAN CHILD WELFARE ACT PROGRAM

Senator STEVENS. I've an interest in the problem of the money that we have put in for Indian Child Welfare Act grants—that you were supposed to use those for high-priority projects?

Mr. KRENZKE. That's correct.

Senator STEVENS. How much of that has been used on-reservation?

Mr. KRENZKE. Within the total amount, approximately 78 percent has been used on-reservation or for recognized tribal groups.

Approximately 22 percent overall has been used in terms of the off-reservation groups.

Senator STEVENS. Being provincial again, does that include Alaska?

Mr. KRENZKE. Alaska is included, sir, with the tribal groups, with the 78 percent.

Senator STEVENS. Have you reviewed the Inspector General's audit report in this area, and what have you done to comply with that and the regulations, if you have?

Mr. KRENZKE. Yes; we have reviewed those findings of the Inspector General relative to the child welfare program, and in fact, they are very much in line with the survey that we had completed earlier in relation to the same subject. In connection with the report, there have been three basic steps taken.

The first of these was through a series of actions. From October through December of 1982, we adopted amended regulations relative to the implementation of the act as well as new guidelines and a new manual. In all three instances where amended regulations were adopted, each emphasized the concern that the Inspector General had with the establishment of need, before a grant is approved.

The second action that we have taken is for monitoring purposes. We have placed the monitoring of all of these grants on our automated data system and, as a result, are able to trace the receipt of quarterly reports which are required by each of the grant recipients.

The final thing that we have done is to implement a series of intensive reviews at the area level by our central office staff, beginning in December of this year, and up to the present time we have completed a review of these area operations for 4 out of the 12 areas.

In addition, our response to the IG's office has now been accepted by the Inspector General.

Senator STEVENS. I met with a group of women from Washington State who testified at our outside witnesses hearings, and I also met with them personally. It appeared to me that for a very small amount of money, directed in the right way, that the purpose of the act in trying to prevent the breakup of Indian families could be achieved, but there had been a reduction in support for these people who are basically part-time organizers of volunteers in the area of these—particularly the reservations and the near-reservation communities.

Now are you familiar with that testimony that was received here?

Mr. KRENZKE. I am not familiar with that specific testimony. May I ask when that was received?

Senator STEVENS. They had a consolidation of programs—alcoholism, housing, various, you know—foster parent, the foster grandparent problem—the whole series of programs that they were working to put together through one person who was hired part-time. And they indicated the Bureau was intending to take the funding away from that part-time person and put it into the other programs; whereas, they were able to get more attention through volunteers in that system.

I talked to them because I was most impressed with their idea that they could do a lot more with the consolidation of those programs through their system than we might by funding workers in each one of the programs.

I would invite and urge you to review that testimony. It seemed to me that they had a real point.

Mr. KRENZKE. We would be pleased to receive the testimony. The only additional comment that I would like to make in relation to it is that in terms of our receipt of the applications, the applicant is free to lay out the purposes for which the grant would be included. Under the law there are about seven or eight purposes that are authorized.

The only real complaint that I have received from a number of quarters is that in some instances we have had to cut back in terms of living within the funds available and only cover perhaps a portion of the grants for which they applied. This is in order to be able to provide funding for all of the qualified grant applications.

But we do not, other than that, impose limitations on the applicants in terms of what they could apply for. The only criteria that governs the applications is the law.

WELFARE COSTS FOR INSTITUTIONALIZED PERSONS

Senator STEVENS. Arizona has now got a health care cost containment system that provides for custodial care. Have you contacted the State to see whether they are now eligible to relieve the Bureau of the responsibility to provide nonmedical, institutional custodial care for Arizona Indians?

Mr. KRENZKE. We have had a couple of contacts with the State of Arizona concerning this matter. We had a telephone contact with their State welfare staff shortly after it went into effect.

Then just 2 weeks ago Ray Butler, our Chief of Social Services, was out to Arizona and met with them personally on this specific subject. Mr. Butler reported to me that this project has been established by the State of Arizona only on a demonstration basis up to the present time.

And in that demonstration basis, they have specifically precluded, as we understand it, the provisions for long-term care, which constitutes most of our caseload. The focus of their program is on AFDC recipients and on, also, recipients of SSI, and it appears that we do not have any AFDC recipients in our caseload.

However, we will be reviewing some of the SSI recipients. It may be that some of those will be possibly eligible if they do not involve long-term care which has been precluded from the State program.

They also preclude that part of our caseload which would be termed medically indigent only, and our reading at the present time, while we continue to work with them, is that it will have minimal impact on the size of our institutional caseload.

Senator STEVENS. Thank you. The Senator from North Dakota has some questions?

ROAD CONSTRUCTION FUNDING

Senator BURDICK. Yes, I have. Thank you.

Mr. Smith, I understand the funding for BIA road construction in 1983 was about $43.5 million. Is that a correct figure?

Mr. SMITH. Yes, sir.

Senator BURDICK. What is BIA recommending for fiscal 1984?

Mr. HUGHES. We have $4 million, Mr. Chairman, recommended in the budget for 1984. This is in addition, of course, to the money that will be provided under the new Highway Improvement Act.

And I see Mr. Mills is with us now to pick this up.

Senator BURDICK. In other words, you are going to get $100 million from the new highway trust fund?

Mr. HUGHES. Yes, sir, Mr. Chairman, in 1983 we will receive $75 million from that particular fund and in the next 3 fiscal years $100 million from that particular fund. It takes the place of the money that was appropriated.

Senator BURDICK. That should bring some more construction than we have had last year.

Mr. HUGHES. Quite a bit more.

Senator BURDICK. How much of the BIA funding will be used for program supervision and administration in 1984, and how much will be used for other purposes?

Mr. MILLS. Mr. Chairman, my name is Sid Mills, the Director of the Office of Trust Responsibilities.

In the fiscal year 1984 budget, as prepared, there is $4 million, which was our regular fund, $100 million out of the trust fund. The majority of that is for bridges, upgrading the road systems.

We don't have the exact figure here, and I find as well in trying to explain our program we estimate about 5,000 jobs to come out of the highway trust funds.

Senator BURDICK. As I understand it, the $4 million is the appropriations that is referred to here that is going to be for administration in 1984, is that correct?

Mr. MILLS. Yes, sir, at the area level.

Senator BURDICK. And how much is used for this purpose in 1983?

Mr. MILLS. About the same.

Senator BURDICK. The same amount?

Mr. MILLS. It is roughly the same because that is where we got the figures for projection into 1984.

Senator BURDICK. Then there is $75 million to be made available from the gas tax for Indian roads in the current fiscal year.

Do you intend to make this funding available to tribes in addition to the $43.5 million we already appropriated?

Mr. MILLS. Yes, sir, this current fiscal year.

Senator BURDICK. It appears that you are using the Indian set aside from the gas tax fund to pay for BIA road programs in fiscal year 1984.

Do you think it was the intent of Congress that the BIA would be relieved of budgetary responsibility for the road program because of the new gas tax funds?

Can you cite legislative authority or intent for this action?

Mr. SMITH. Mr. Chairman, I will probably have to research that and provide that for the record.

Senator BURDICK. All right, research it and submit it for the record.

[The information follows:]

ROAD CONSTRUCTION

The law provides recognition that Federal roads need to be treated under the same uniform policies as other roads which are on the Federal-aid system. For Federal-aid roads, States must provide administrative funds and a matching share, except that the Federal share may be 100 percent for roads on Federal lands (such as Indian trust lands). We have interpreted this as an intent to provide project funds from the highway trust fund for fiscal year 1984–86 from $75 to $100 million, while approving fiscal year 1983 road construction appropriations $43,585,000) in the Interior budget request.

ROAD MAINTENANCE PROGRAMS

Senator BURDICK. Since road maintenance is generally not funded through the highway trust fund, how does BIA intend to fund road maintenance activities in fiscal year 1984?

Mr. MILLS. Mr. Chairman, we, at the local level area and agency offices, are continuing to encourage the tribes to look at this. The road maintenance program is on the tribal priority system. The tribes have been doing very well trying to keep that program funded as a high priority.

Senator BURDICK. Is that the responsibility of the tribes?

Mr. MILLS. It is on the band. The tribes have that option to—along with their other priorities—to look at their road maintenance.

Senator BURDICK. Also, since the gas tax will end in 1986, does the BIA intend to reinstate the practice of budgeting its own funds for this purpose?

Mr. MILLS. Mr. Chairman, yes, we would.

Senator BURDICK. Does the BIA have a procedure to assess road construction and maintenance needs on the reservation?

Mr. MILLS. Yes, we do.

Senator BURDICK. What amount would be required in fiscal year 1984 to accommodate these projects?

Mr. MILLS. Beg your pardon, sir?

Senator BURDICK. How much would be required in fiscal year 1984 to accommodate these projects? How much would it take for the construction and maintenance in 1984?

Mr. MILLS. I believe our figure is—excuse me 1 minute.

Senator BURDICK. That may be difficult for you. You want to supply that for me?

Mr. MILLS. Yes, we will supply that for the record.

Senator BURDICK. That is fine. That is all I want to know.

[The information follows:]

FISCAL YEAR 1984 ROAD MAINTENANCE NEEDS

Our estimate of adequate maintenance is that $2,200 per mile per year is required for earth surface roads, $2,600 for gravel surfaces, and $3,000 for pavement. A program of fully adequate road maintenance would require funding of $43 million per year; however, this is the optimal level which few State highway systems, actually achieve in their maintenance programs.

Since each tribe sets its own road maintenance priorities, the level is adequate on some reservations but less on others.

The Surface Transportation Assistance Act of 1982 requires uniform policies for Federal roads and State Federal-aid roads. The Department of Transportation will require adequate maintenance of roads constructed with highway trust funds. We are preparing our own policies to meet this requirement.

Our fiscal year 1984 request of $22,351,000 includes $51,000 for Central Office administration and $111,000 for Area Office administration. The $22,189,000 for the tribe/agency operations is the total requested by tribes within the tribal priority setting system.

ESTIMATED FISCAL YEAR 1984 ROAD CONSTRUCTION COSTS

Our study of road construction proposals for Indian reservations was last updated in November 1982. This study identified a total of $3.1 billion for new construction to bring roads to optimum highway standards. We have set a more realistic goal, of using non-Indian rural roads as a standard for Indian roads. This goal would require over $1 billion. Our estimate of the need for construction of previously constructed roads is $56 million annually.

In fiscal year 1984, the Federal Highway Administration FHWA will use $2 million of the $100 million authorized in the Surface Transportation Assistance Act of 1982 for administrati n. Of the remaining $98 million, we will use $96 million for projects and $2 million r special engineering studies. The $4 million from the requested Interior appropriations for road construction will be used for Area Office program supervision of the program. In addition, $1.2 million will be available for Central Office program management from the operation of Indian programs account.

ROAD CONSTRUCTION ALLOCATION PROCEDURES

Senator BURDICK. By what procedure are road funds allocated to reservations, and how do the area offices determine the road needs for their various tribes?

Mr. MILLS. This is in working in conjunction with the tribe, the priority system that each agency reviews with the tribal council. They set out the program, the roads program, and the tribe sets the priority of what roads they want worked and built.

Senator BURDICK. Yes, but that doesn't quite answer the question. How do you allocate these funds between——

Mr. MILLS. Oh, I am sorry.

Senator BURDICK [continuing]. Between reservations in North Dakota and reservations in Arizona, for example?

Mr. MILLS. The formula that we used, Senator, is one-third population, one-third land base, one-third roadway mileage.

Senator BURDICK. It is my understanding that the Turtle Mountain Reservation was scheduled to receive $1.1 million in road construction funds in fiscal 1983 and is therefore not eligible for additional funds from the gas tax revenue.

Is this true?

Mr. MILLS. I am not sure all those figures are right sir, but they are eligible for additional funds from the gas tax fund also. I believe we have worked on some projects up there, but I don't have those figures handy.

Senator BURDICK. Well, then it is not correct, just because they received the $1.1 million for road construction funds. They are entitled to additional funds?

In other words, the road construction funds that are allocated in 1983 do not make them ineligible for the additional funds under the gas tax?

Mr. MILLS. That is right, sir.

Senator BURDICK. All right.

Mr. FRITZ. Excuse me, Senator. As a matter of fact, what we did for the gas tax add-on was we used the priorities which were currently existing in the out years, and we just brought those on sooner. If we had some small tribe that had such a minimal amount of population and land base, we provided additional funds for some of those. But we tried to use the priorities as they currently existed.

Senator BURDICK. Then it wouldn't affect the amount, just the priorities?

Mr. FRITZ. That is right. We tried to reach down as far as we could into our priority system.

Senator BURDICK. As long as you are putting things in the record, I would appreciate your providing me road construction needs in the Aberdeen area. Would you do that?

Mr. FRITZ. Yes, sir.

[The information follows:]

ROAD CONSTRUCTION NEEDS IN THE ABERDEEN AREA

The road construction needs in the Aberdeen area, based on the fiscal year 1982 study, are as follows:

North Dakota:	
Fort Berthold	$29,686,800
Fort Totten	4,764,500
Standing Rock	27,354,500
Turtle Mountain	17,949,100
Total	79,754,900
South Dakota:	
Flandreau	392,400
Sisseton	10,058,800
Cheyenne River	52,354,300
Pine Ridge	80,020,600
Rosebud	17,505,900
Yankton	2,680,800
Standing Rock	36,251,000
Crow Creek	3,205,100
Lower Brule	6,871,100
Total	209,340,000
Nebraska:	
Omaha	2,559,600
Santee Sioux	54,400
Winnebago	1,925,600
Total	4,539,600
Aberdeen area total	293,634,500

These are needs anticipated beyond fiscal year 1984.

STAFF NEEDS FOR IMPLEMENTING EXPANDED ROAD PROGRAMS

Senator BURDICK. All right. What additional staff will be necessary to insure the projects will be administered on-line to utilize the additional funding made through the gas tax revenues?

Mr. MILLS. Approximately 180 positions.

Senator BURDICK. Throughout the country?

Mr. MILLS. Throughout the total bureau.

ROAD CONSTRUCTION REQUEST FOR UTETC

Senator BURDICK. I am told that the United Tribes Educational Technical Center at Bismarck applied for discretionary road funds of $600,000 to repair curb, gutter and pavement. The BIA denied their request on the basis that participating in UTETC the tribes should set aside a portion of their allocation for the project.

Is this realistic approach considering the reduced level of funding going to each tribe?

Mr. MILLS. I don't have that information with me, sir. We could furnish that.

[The information follows:]

ROAD CONSTRUCTION REQUEST FOR UTETC

The Turtle Mountain Tribe, on behalf of the United Tribes Educational Technical Center, applied for additional road funds of $600,000 to repair curbs, gutters and pavement. Funds available for special needs not met by formula allocations were $13,500,000; applications totaled over $40 million, and it was necessary to assign priorities. The reasons the UTETC proposal was not assigned higher priority were:

The Bureau does not own the right-of-way at this location. Tribes could put this on the BIA road system in the future subject to approval of the Aberdeen area director. Eligibility requirements must be met.

FUNDING APPROVAL FOR UTETC

Senator BURDICK. And, also, isn't this piecemeal approach a departure from the way in which UTETC has historically received BIA funding?

Mr. MILLS. I might ask Mr. Krenzke if he could answer that, sir.

Senator BURDICK. OK.

Mr. KRENZKE. I am not sure I understood the question, sir.

Senator BURDICK. Let's go over it again. The training center at Bismarck applied for discretionary road funds of $600,000 to repair curb, gutters, and pavement. The BIA denied the request on the basis that participating UTETC tribes should set aside a portion of each tribe's allocation for the project.

Is this a realistic approach, considering the reduced level of funding going to each tribe? And also, isn't this piecemeal approach a departure from the way in which UTETC has historically received BIA funding?

Mr. FRITZ. Senator Burdick?

Senator BURDICK. Yes.

Mr. FRITZ. Excuse me for interrupting. The allocations in this instance were made to tribes for reservation roads under the Highway Improvement Act of 1982. So the set aside has been for the tribes, and I am not familiar with the interchange of information.

We will get that information, but in terms of the unique moneys which were allocated to the Bureau of Indian Affairs by virtue of the 1982 act, it was for improving or building up highways which were to be put in proper condition on reservations. At least, that is the way we looked at it.

Mr. KRENZKE. I think the second part of your question, I understand what you are getting at, and the answer to your question is "Yes." If we are to use a system of—the roads there, taking some from different reservations.

It is correct that that is a different approach to the funding of in that they may normally pay for UTETC operations from funding identified specifically for them, not a portion of that from the reservations in the Aberdeen area.

Senator BURDICK. How does this affect, for example, the training center at Bismarck, this new procedure?

Mr. KRENZKE. Well, I think the point that is being made here is that this situation in relation to the roads probably really hasn't come up before. And Mr. Mills indicated that he will give the committee detailed information for the record relative to it.

It does not have an impact as far as the rest of our funding of the UTETC operations.

Senator BURDICK. Well, all I am asking is that I hope when it is all explained and settled down that we don't get less money under this new process. That is all I am getting at.

Do you understand that?

Last year, UTETC had considerable difficulty getting its full allocation from the Aberdeen area office. To remedy this situation, the committee adopted report language to clarify congressional intent regarding UTETC funding.

I was very pleased to note that in this year's BIA budget justification UTETC was listed separately and that you are recommending a slight budget increase.

Can you give me the current fiscal year 1983 status of UTETC's funding?

Second, do you intend to continue to list UTETC as a separate item in your budget justification?

Mr. KRENZKE. As far as fiscal year 1983 funding is concerned, we were able to complete the action amending their contract about the middle part of March, which brought it up to the level directed by the Congress in the fiscal year 1983 budget.

As far as our plans for the future, insofar as we know at the present time, we would plan to continue to display it as it is in the 1984 budget.

POLICE ACADEMY TRANSFER

Senator BURDICK. I understand that they are planning to close the BIA Police Academy at Brigham City, Utah.

Is this true, and when do you anticipate the academy will be closed?

As you know, UTETC has the capability to offer police training services, and I hope you will keep the center in mind when you begin to seek new training services.

Mr. KRENZKE. Well, at the present time, because of some questions about continuing operation of Intermountain and the eventual closure of that school, we are also taking a real hard look at the future of the police academy.

At the present time we are just in the planning phase for considering various options, and we will certainly consider UTETC as a possibility along with other ones.

LAW ENFORCEMENT AT TURTLE MOUNTAIN, N. DAK.

Senator BURDICK. The Turtle Mountain Tribe has lost four enforcement officers since December 1982.

What measures has the Bureau taken to replace these officers and fill two other permanent vacancies to bring the force back to full capacity?

Mr. KRENZKE. Senator, I've only been so far able to check that one out on a preliminary basis, and it appears from the information that I have up to the present time that we had some budgetary constraints there in terms of our ability to fill some of those vacancies.

We're still looking at that in some detail. We'll have to provide additional detailed information for the record.

[The information follows:]

TURTLE MOUNTAIN LAW ENFORCEMENT STAFFING

Due to fiscal limitations the Bureau has not taken any action to replace the officers that left. The funding level for law enforcement at Turtle Mountain is subject to tribal priority. The increased workload has been distributed by rearranging work shifts, placing officers on an on-call basis and by distributing additional work hours to officers who qualify for unscheduled premium pay and who heretofore had not been able to qualify because of the number of hours they worked.

TRENTON SERVICE AREA LAW ENFORCEMENT

Senator BURDICK. Thank you.

The Trenton Indian service area in North Dakota has had difficulty in working out a law enforcement contract with the BIA.

What is the state of these negotiations, and when do you expect to extend their contract?

Mr. KRENZKE. The way things stand at the present time, we have pretty well made the determination that we're not going to be able to continue to fund the Trenton service area on a direct basis contract.

What is being explored as I understand it is that the Turtle Mountain Tribe is looking at the possibility of passing a resolution in conformance with Public Law 93-638.

If we receive that resolution, we will be able to proceed from there. But at the present time, until that forthcoming thing, we're at an impasse relative to it.

JOBS BILL FUNDING

Senator BURDICK. Let's see if we can't get that resolution through a little faster.

How much funding will the BIA receive for the recently passed jobs bill? How much of these funds will go to BIA administrative expenses.

Can you review for me the projects that may be receiving funds from the jobs bill?

Mr. SMITH. Well, Mr. Chairman, we are receiving $114.45 million. I have a plan being prepared by my staff of projects that will be funded; and of course, these are broken down in a variety of programs.

We have the housing improvement program, $30 million. Natural resources, $20 million; irrigation construction, $30 million; law enforcement facilities, the BIA jails, $10 million; and of course, Hopi High School, $24,450,000. A total of $114,450,000.

Right now, I have not received the allocation by State. Hopefully, I will receive that early next week, and I'll be able to provide that to the committee.

Once I receive that report and approve that particular report, then I'll make sure you get a copy.

Senator BURDICK. Will that breakdown show how it is——

Mr. SMITH. It will be broken up into projects and how we're allocating that for States, for reservations and so forth.

Senator BURDICK. As you know, Standing Rock Sioux reservation has had considerable flooding, problems. One complication that the tribe has looked into is the construction of a canal.

I think it is important that the Bureau, the Corps of Engineers, and the IHS coordinate their efforts to solve these problems.

Has the BIA been involved in this effort, and if not would you be willing to participate?

Mr. MILLS. We haven't at this level, Senator, at this point. But I'm sure the area has, and yes, we would be willing to participate.

STATUTE OF LIMITATIONS FUNDING

Senator BURDICK. Do you plan to have ongoing negotiations with the Indian Tribes in fiscal year 1984 on statute of limitations claims?

I don't see any budget recommendations for these expenses. Can you explain this?

Mr. MILLS. Yes, sir. We do plan to have ongoing negotiations in 1984. The budget figure on that, I'll have that for you——

[Simultaneous discussion.]

Mr. MILLS. $1.5 million for that and unresolved rights issues together.

Senator BURDICK. I didn't hear that.

Mr. MILLS. $1,500,000 for statute of limitations and unresolved rights issues. There were a lot of claims we found in fiscal year 1982 that fall in the category of unresolved issues, and the total budget covers both. The statute of limitations and unresolved rights issues.

Yes, sir.

UTETC FUNDING

Senator BURDICK. Yes, Mr. Chairman, I want to clarify a point on a question I asked just a few minutes ago on a figure I asked of Mr. Mills.

We discussed the United Tribes' educational difficulty under—and in discussing this application for $600,000 to repair—got a statement in the Senate.

Do I understand that the application for aid in funds was denied because BIA said that it was a move—because it's more appropriate that each tribe take part in UTETC—to contribute Tribal funds for this purpose?

This is not realistic since the Tribes have had all their budgets reduced. Is it the opinion of the administration that these Tribes should take care of these repairs out of other funds?

Mr. KRENZKE. Senator, I was going to look at that and get you an answer for the record, but our present setup of course is working directly with the tribes; and not directly with an institute like UTETC, but I will look into that and get you an explanation.

Senator BURDICK. Thank you, Mr. Chairman.

JOBS BILL FUNDING

Senator MCCLURE. Thank you, Senator Burdick.

I think you responded in answer to a question by Senator Burdick that you will receive $114,450,000 from the jobs bill?

Is that correct?

Mr. SMITH. Yes, Mr. Chairman.

Senator MCCLURE. Has there been an apportionment by OMB to BIA?

Mr. SMITH. No, it has not at this particular point.

Senator MCCLURE. It has not yet been——

Mr. SMITH. It has not——

Mr. HUGHES. Mr. Gorrell has just informed me——

Mr. SMITH. It must have just happened today. OK. [Laughter.]

Senator MCCLURE. The OMB has made that apportionment and their remaining apportionment is that which will be made within BIA among the several States.

Is that correct?

Mr. SMITH. Yes.

Senator MCCLURE. How soon will these funds be obligated?

Mr. SMITH. Well, we're hoping as soon as I approve the report that will be submitted to me, and certainly this will be done next week, that we'll start allotting the money out to the respective area offices——

Senator MCCLURE. With the exception of the Hopi High School, do you anticipate that all of these funds will be expended during the current fiscal year?

Mr. SMITH. No, I think, Mr. Chairman, to look at it realistically, that it's going to take longer than the few months we have left in the current fiscal year.

So I would anticipate some of the funds be carried over to the next fiscal year to complete some of the projects we will be working on.

Senator MCCLURE. Well, you do understand that except for the construction money, that's 1-year money?

Mr. SMITH. Yes.

Senator MCCLURE. I assume that even——

Mr. SMITH. Let me refer this to my finance people here, on how we're going to deal with this.

Mr. HUGHES. The housing portion and natural resources are 1-year funds. The remainder can be available until expended.

Senator MCCLURE. Right. Now, do you expect that all of it will be obligated this year?

Mr. HUGHES. Yes, sir. And of course, a lot of this will be done on contract, which will constitute the obligation. The spend-out might be

on into 1984, early 1984, depending on the construction season or the project schedule for that particular contract.

Senator McCLURE. I'm sure you know that our experience with jobs bills in the past has been major spend-out occurs in the third, fourth, and fifth years following appropriation.

And I hope you understand that the administration has pledged to do better than that, and we expect you to do better than that, under these appropriations.

Mr. SMITH. Mr. Chairman, I think we understand the intent of the bill is to create jobs on an immediate basis.

HOUSING IMPROVEMENT PROGRAM

Senator McCLURE. The housing improvement program is part of the band analysis. So funding is determined by tribal priority.

In general, how well does this process match the documented need for new or rehabilitated housing?

Mr. SMITH. I'll have Mr. Krenzke respond to that.

Mr. KRENZKE. Mr. Chairman, overall there's a need for the repair of Indian homes of such magnitude throughout Indian country that the method of allocating these funds on the band analysis, on that type of priority basis, works out reasonably well.

However, admittedly, there are some kinds of circumstances where the need is greater than others. If a system based on needs were to be followed, we would probably be hitting some of the areas with a greater amount of funding.

But it's still a situation that works fairly well because of the fact that there's a need existing almost everyplace.

Senator McCLURE. Well, I understand that it can't match it. But I'm not sure that I understand just what pretty well means. [Laughter.]

Does that mean you're 50 percent on priority and 50 percent off? Is that pretty well, or is it better than that?

Mr. KRENZKE. What I'm trying to say here is that there is a need for repairs of Indian homes of considerable magnitude.

Senator McCLURE. I understand that.

Mr. KRENZKE. In all the Indian country.

Senator McCLURE. Yes, I understand that.

Mr. KRENZKE. So that the priority system that is used at the present time addresses those needs.

We also need to recognize that in some places, maybe that that need may only be 5 to 10 percent of the homes on the reservation, where in some other situations, we might still have 60–70 percent of the homes.

And that kind of, I suppose you might say equity funding type situation is not really addressed through the priority system as it exists at the present time.

Senator McCLURE. I understand that. That's what my question was directed toward. But I'm not getting a very good answer as to how well it's meeting priority need, or how badly it's missing priority need.

You say, and I understand that it can't match it one for one, because it isn't distributed that way. The need is not distributed that way. The money is not distributed that way.

But how far do we miss the priority? I don't ask for a precise evaluation, but I'd like some estimate.

Mr. KRENZKE. It misses the priority, I think, primarily in relation to some very small tribes that have not been able to benefit from the programs of the Department of Housing and Urban Development.

And it misses the priority in some places where the Department of Housing and Urban Development requires elaborate infrastructure, such as utilities and road systems, and things such as this.

In those areas it is a problem.

Senator MCCLURE. Using the band, the money is divided into many small portions, so that it may take several years to upgrade homes in one location or to meet the new housing requirement.

It would seem that this method would lead to increased costs.

Why shouldn't housing construction be operated like other construction accounts?

Mr. KRENZKE. I think an argument can be made in that direction. On the other hand, the present system in which tribes are able to address the priorities, especially lends itself well to the area of minor repairs, I would say.

Senator MCCLURE. And you think that that offsets or outweighs the validity of using housing construction in the same manner that you would operate other construction accounts?

Mr. KRENZKE. I guess my personal viewpoint is probably that I would have to admit that the present system has some failings and some shortfalls. I guess that my own feeling is that it's probably an area in which we ought to do some serious reexamination.

Senator MCCLURE. I'm happy you said that, because I share that feeling. I'm not certain that it would say that we change it.

But I am certain there's enough evidence there that might at least warrant a reevaluation of that.

Mr. KRENZKE. We continually struggle with this internally, if you will. It's a matter of dealing with the reality of what you're talking about, and at the same time, trying to truly have a commitment to tribal priority setting and self-determination.

It's probably one of these areas where those viewpoints get in conflict with each other. Up to the present time, we've come down on the side of the tribal priority setting and self-determination.

It may be, as I say, that we will reexamine it and take into consideration the need factor.

Senator MCCLURE. Well, doesn't it also come down to just spreading the money around, in spite of the relative need? Or in disregard to the relative need?

Mr. KRENZKE. Senator, you're talking about what would probably be perceived by a lot of people as addressing the equity situation.

EQUITY OF FUNDING ALLOCATIONS

Mr. SMITH. Mr. Chairman, I think it's one of the issues you're bringing up that has us puzzled somewhat. When I first came in, I talked about how we allocate the Federal budget appropriated dollars that we receive to the respective areas; and how we allocate to respective reservations.

We really have to take a look at that. I don't think it's a 12-month review. We have to pull it apart and say "How can we allocate money a little bit better than we're allocating it now?"

Maybe some of our budget, or maybe most of our budget should be based on it. I don't know.

For instance, we have reservations the same size. One reservation could have an enormous amount of resources—it could be generating $14 million or $15 million of local money—versus another reservation that may not have that.

They're maybe only generating $100,000. Sometimes allocations are about the same for those.

So I think we really have to take a look.

ALLOCATION OF JOBS BILL HOUSING IMPROVEMENT FUNDS

Senator MCCLURE. I know that there would be a desire to see that all tribes share in the Federal appropriations, and that the tribes should be able to determine for themselves how the money is expended.

But if we take a specific account, like a housing account, and do it, we may very well have a very large mismatch between housing need and the amount of money that's available to meet that housing need.

I would hope you will take a look at it.

Report language accompanying the jobs bill directed to the more concentrated use of those additional funds be used.

Areas to be selected where the use of the repair funds will bring all homes in the community up to standard. And for new housing units, are to be built in sufficient quantities to fully satisfy community's need for new units.

Are these directives being followed?

Mr. KRENZKE. Yes; they are being followed. I think it will give us a chance to test the point that you made in the previous question.

NEEDED CHANGES TO HOUSING GRANT REGULATIONS

Senator MCCLURE. The BIA's new housing program is a grant program. A home is built, and the Bureau walks away as there's no cost to the home owner, or no payback provision.

It has come to our attention in at least one instance that the person who received an HIP house moved and has rented his house to the tribe, which pays the rental cost from funds available through a contract with another Federal department.

This appears to me to be a clear abuse of the system. What can the Bureau do to insure that a person does not make a profit, particularly

from the Federal Government, on a home that was built by the Federal Government?

Mr. KRENZKE. Mr. Chairman, we expect in the next few weeks to be publishing amendments to our current housing regulations that will be specifically addressing that issue.

Under those proposed regulations in relation to situations where an individual has received the down payment on a home, the individual would be required to repay that down payment in its entirety if they sold the home within a 5-year period.

In instances where the individual received a complete new house, they would be expected to repay the full amount if they sold it within a 10-year period, with decreasing amounts that would extend up to a 20-year period.

If he kept it for 20 years, it would be his house.

Senator MCCLURE. How about in the instance for rental?

Mr. KRENZKE. That situation of the abuse involving the rental situation has just recently come to our attention. It's one of the things that are not addressed in our current plan.

But it's certainly something that will also need attention from us.

Senator MCCLURE. Will you be addressing it?

Mr. KRENZKE. We will be.

Senator MCCLURE. Would you keep the committee informed as to what steps you take in that regard? As you take them?

Mr. KRENZKE. Yes, sir. We will.

DEFAULT RATE ON HOUSING MORTGAGES

Senator MCCLURE. A portion of the housing funds are used for down payments. What is the default rate on those mortgages?

Mr. KRENZKE. We do not have any information currently available relative to that situation. We are making grants for down payments in the number of approximately a little over 250 annually, and the amount of those grants of the down payment are averaging about $2,700 each.

It's generally our feeling at the present time that it's not a problem that has been reported to us as a significant one. We are generally of a feeling that to track this would require quite a bit of additional administrative attention that might not be worth the effort.

Senator MCCLURE. You don't have any monitoring of the experience on those at all?

Mr. KRENZKE. Not on those down payments; no, sir. Not to the extent that in the followup, they have defaulted on a mortgage payment.

Senator MCCLURE. If you have not been monitoring the program with respect to default, how do you expect to track whether or not it's rented or sold?

Mr. KRENZKE. We will be able to, I think, cover that aspect of it, which I see as being a little bit of a different kind of a problem from a situation where there is a default on the mortgage in a repossession.

Senator MCCLURE. Well, how are you going to do one if you can't do the other? Won't you have some kind of a compliance procedure or reporting procedure?

Two hundred and fifty a year over a number of years amounts up to a number of individual transactions to follow, but it's not an exorbitant amount; 10 years, 2,500, 20 years, 5,000. That's not too many to follow; is it?

And you're going to have to follow them with respect to rentals or resales; is that not correct? Or either that, or depend upon voluntary compliance and reporting.

Mr. KRENZKE. I guess I would just have to say that we were perhaps thinking of some additional examination without which I would not prefer to answer your question at this time.

SELF-DETERMINATION GRANT PROGRAM

Senator MCCLURE. I hope you will look at that and then perhaps give us the result of your reflected judgment as to how you will do that.

It seems to me there may be a problem, and while it may not have yet surfaced or been reported, that there may well be a problem. And we ought to know.

Last year, report language directed the Bureau to award self-determination grants only for the purposes of improving the ability of the tribes to contract for the operation of Federal programs.

We are happy to say that the subcommittee has received several phone calls from tribes complaining that the Bureau is following this directive.

Have you any information as to how many applications have been denied, or have needed substantial modification to bring them into compliance with the requirements of the program?

Mr. KRENZKE. Mr. Chairman, after receiving the report language from the committee, we have attempted to follow up on that issue, and as you indicate in your question it's something that we've gotten a bit of a reaction from.

We've recently done a survey and it appears that we have denied a total of 12 applications because of this directive. We've also modified 88. Of those 88 that were modified, some of them were while the application was in process, so we were able to do a grant which went into effect. I'm not sure of that number. Some of the others had been in effect already and they've subsequently been modified. So there's been a significant impact from the directive.

Senator MCCLURE. Twelve have been denied and 88 modified, how many—out a total of how many?

Mr. KRENZKE. We have about 475 of those grants annually.

DEBT CANCELLATION FOR LOANS

Senator MCCLURE. On December 6, 1982 the Bureau of Indian Affairs forwarded to the Vice President a list of outstanding debts incurred under the Indian Financing Act that were recommended for cancellation. The amount was almost $6 million. In a number of cases no payments had been made on these outstanding loans since the late 1960's or the early 1970's.

Why does it take so long to close the books on these loans?

Mr. KRENZKE. Mr. Chairman, I would have to concur that this is a subject for concern. It's also something that the Bureau is doing its best to address.

Some of the reasons for the problem is that the Bureau itself does not have the authority to take the liquidation action in relation to the loans.

If we have a case—and in all cases the Solicitor's Office is involved—that involves voluntary liquidation, then it's something that we can generally move on within at least the Department of the Interior.

If the effort to liquidate is resisted, then it's turned over to the Justice Department and this tends to complicate the situation even more.

One case that was recently brought to my attention, for instance, was a case that had been in the Justice Department for 5 years and involved an effort of about $100,000. Finally the Justice Department decided that they weren't going to prosecute in respect to it; but it kind of took that long before we were able to move forward toward the cancellation of the loan.

Some things have happened recently that I think are going to help the situation. The concern of this administration was reflected by the group that were received in December. It reflects a special effort to get on top of this situation. Second, there's been some amendments to the Levitt Act which have made it possible to move a little bit more effectively. The overall effort of this administration in the area of debt collection is also helping.

So what happened in last December was an effort in the way of cancellation, some of them going back for a long period of time, which was almost half again as much as the entire effort in this respect since the program went into operation.

We're moving forward on it quite aggressively at the present time, but in some cases it's simply not possible because of the legal ramifications that are involved.

Senator MCCLURE. Not in any spirit of recrimination at all, but in the spirit of just good sound management, the information provided in the justification under the Indian loan guarantee and insurance fund and under the revolving fund don't seem to agree with cancellations recommended last December.

I wonder if you could for the record please clarify why that doesn't appear to agree.

Mr. KRENZKE. I think I can probably provide some information for the record, but the short answer is that the information and justification reflected the situation as of the end of last fiscal year, whereas the information that was contained with the cancellation brought the situation up to date. It will also be reflected at the end of next fiscal year—at the end of this fiscal year.

[The information follows:]

LOAN CANCELLATIONS

The information in the budget justifications for the revolving fund and the loan guarantee and insurance program is as of September 30, 1982.

On March 6, 1983, the cancellation order submitted in December became effective. The total canceled from the revolving fund was $4.4 million and $1.4 million from the defaulted guaranteed loans. This brings the total canceled from the revolving fund from $3.1 to $7.6 million as of March 31, 1983. Since projected losses have been costed out on a yearly basis, our reserve-for-losses is down from $11.2 million to $6.8 million. Our current outstanding loans total $86.6 million.

Of the $5.1 million paid for defaulted guaranty loans, we were assigned $5.7 million in notes from various banks. The $1.4 million canceled March 6 brings the total canceled to $2 million. Outstanding defaulted loans now total $3.7 million. As of March 23, our outstanding guaranteed loans totaled $69.4 million.

DEFAULT OF LOANS FOR FISHING VESSELS

Senator MCCLURE. There's only about 66 days' difference between the two—no—yes..

Mr. KRENZKE. And I think it reflects——

Senator MCCLURE. It's easy to second-guess when we have a list of the defaulted loans, however, certain categories of loans appear to have very high default rate, and a few others appear to be totally outside the scope of the program.

Eight of the ten loans declared in default in the Portland area were for the purchase of commercial fishing vessels.

How many loans has the Portland office made for fishing vessels?

Mr. KRENZKE. The Portland area office has made 45 such loans for fishing vessels.

Senator MCCLURE. How many of them have been paid in full?

Mr. KRENZKE. Eight have been paid in full.

Senator MCCLURE. How many are currently delinquent?

Mr. KRENZKE. We've got—the situation of the 45, if I can just maybe recount the total numbers of that: 8 have been paid in full, 8 were in the list for cancellation, 14 of the loans are current, 3 are delinquent, or are still being carried as an active loan by the Bureau. Then we have 12 others that are in a default situation, that have been referred to the Solicitor's Office for a liquidation effort.

Senator MCCLURE. Eight have been paid, 8 have been canceled, 14 are current, and the remaining 15 are in some state of default.

Mr. KRENZKE. Three are delinquent and 12 in default.

Senator MCCLURE. Fifty-fifty.

Mr. KRENZKE. Fifty-fifty.

Senator MCCLURE. Twenty-two good ones, twenty-three bad ones.

Mr. KRENZKE. As I understand it, all of the loans were made prior to 1978. I tried to look into the situation to a certain extent. By and large our field staff indicates to me that it's just not been economically very good for fishermen out in the Northwest. At the present we're not in that business on a heavy basis as we were in the midseventies.

Senator MCCLURE. Could you provide for the record a listing of the 45 by date showing on those the current status of each of the 45?

Mr. KRENZKE. Yes, sir.
[The information follows:]

STATUS OF 45 FISHING VESSEL LOANS BY DATE

The 39 loans listed below are loans to individuals. The Portland Area Office included tribal boat loans in the original 45 loans.

Date of loan:	*Status*
Oct. 28, 1975	Canceled.
Oct. 30, 1975	Canceled.
Nov. 21, 1975	Current.
Nov. 25, 1975	Current.
Nov. 25, 1975	Defaulted—boat sold.
Dec. 15, 1975	Canceled.
Dec. 16, 1975	Canceled.
Dec. 28, 1975	Paid in full.
Jan. 15, 1976	Paid in full.
Mar. 10, 1976	Defaulted—boat sold.
Mar. 12, 1976	Defaulted.
Mar. 12, 1976	Delinquent.
Mar. 23, 1976	Canceled.
Mar. 30, 1976	Paid in full.
Mar. 30, 1976	Defaulted.
Mar. 31, 1976	Paid in full.
Apr. 6, 1976	Defaulted.
Apr. 16, 1976	Current.
June 22, 1976	Current.
June 25, 1976	Defaulted—sold.
June 29, 1976	Current.
June 29, 1976	Defaulted.
June 29, 1976	Current.
June 29, 1976	Current.
July 7, 1976	Delinquent.
July 16, 1976	Defaulted—boat sold.
July 16, 1976	Current.
Sept. 14, 1976	Canceled.
Apr. 22, 1977	Current.
May 4, 1977	Paid in full.
May 10, 1977	Canceled.
May 18, 1977	Defaulted.
May 19, 1977	Delinquent.
June 1, 1977	Defaulted.
July 12, 1977	Defaulted.
Sept. 13, 1977	Canceled.
Aug. 25, 1981	Current.
Sept. 18, 1981	Current.
May 13, 1983	Current.

LOAN TO BLACKFEET INDIAN DEVELOPERS, INC.

Senator MCCLURE. A $219,000 loan was made to the Blackfeet Indian Developers, Inc., to provide capital materials and labor costs on a housing contract funded by the Department of Housing and Urban Development.

If there are problems with a Government contract, it would seem that the originating agency should make contract modifications or be allowed to make a determination if the contract should be canceled, rather than having another department bail out the contractor.

Was the Department of Housing and Urban Development contacted before this loan was made?

Mr. KRENZKE. I am not able to determine that piece of information specifically, whether they were contacted or not.

What I have been able to determine is that this Blackfeet Construction Co. there was in the business of building homes primarily for the local Blackfeet Housing Authority. It just happened that the person who was our Billings area credit officer at that point in time is now the superintendent at one of our agencies in Oklahoma and was in our office this morning. I discussed the situation with him to try to get his recollection of the situation.

He indicated to me that the Department of Housing and Urban Development on a direct basis was not a factor whatsoever in the making of the loan. He further indicated to me that there was some involvement further down the line at the time that the liquidation action was taken. There were some cooperative efforts at that time between the Department of Housing and Urban Development and the Bureau of Indian Affairs, but they were not a factor whatsoever in the making of the original loan.

Senator MCCLURE. Are there other loans on the books which have been made to cover shortfalls in contracts with other Federal agencies?

Mr. KRENZKE. According to our staff there are no other such loans. We do not believe that this was made for the purpose of covering a shortfall in another Federal agency. It has nothing to do with that kind of situation.

Senator MCCLURE. You don't know of any others?

Mr. KRENZKE. No; we are confident that there are no others.

LOANS FOR HOMES

Senator MCCLURE. The Billings area made a loan for the construction of a log home and the Portland area made a loan for the purchase of a mobile home.

How do you justify the use of these funds, which are for economic development, when they're used as home mortgage money?

Mr. KRENZKE. Under both our authorizing legislation as well as our regulations there is nothing to prevent the use of our money and our credit finance programs, our direct loan program and our loan guarantee, for home construction.

In the past, there has been a fair amount of the loan funds which have been used for that purpose.

However, in 1979 a policy memorandum was issued to the field that no more Bureau funds involving loans and loan guarantees were to be used for housing purposes.

We have in effect at the present time approximately $82 to $83 million in direct loans, we have approximately $70 million in loan guarantees. Out of that total I am told that approximately $4 million is being used or has been used in the past in terms of home loans.

Most of these situations where this is the case, there's been a mix of both Bureau and tribal funds in relation to this effort.

But at the present time it would be contrary to our policy but not contrary to the law.

Senator McCLURE. But whatever may have been done in the past, you're not doing that anymore?

Mr. KRENZKE. Correct.

Senator McCLURE. Senator Burdick, do you have further questions?

FORESTRY PROGRAM INCOME ESTIMATES

In comparing the forestry data submitted with the fiscal year 1983 budget to the fiscal year 1983 levels, as they appear in the current budget, we note that the harvest volume is down by 27 percent. The value to timber harvested is down by 32 percent and acres reforested is down 5 percent.

At the same time the current justification shows the employment-generated income rising to $173 million from last year's estimate of $122 million and shows employment generated at 11,900 man-years compared with last year's estimate of 8,750 man-years.

Can you explain the apparent discrepancy?

Mr. MILLS. Yes, sir, in preparing the fiscal year 1983 budget, we were anticipating an upturn of the lumber market early in fiscal year 1982, which would lead to an increase in fiscal year 1982 and an even greater increase in volume and value of 1983.

This upturn did not come about until the middle of this fiscal year. It's only now becoming evident in new Indian sales.

We anticipate that full recovery to the 1979–80 levels would take maybe another year, if improvement in the economy continues.

Senator McCLURE. But I don't quite understand how a change in market economic conditions changes your last year's estimate of $122,500,000. You said it didn't occur then, yet this year you're estimating the same figure to be $173 million—a 40-percent increase.

Mr. MILLS. The forest development acreage dropped primarily because of the decrease in administrative deductions. As a result of that, the 1983 budget justification was really based on employment.

Senator McCLURE. I know that, but I'm looking at your 1984 justification—a BIA justification, page 150.

Every number in the 1983 column is down, except your employment-generated income that is 40 percent higher.

Mr. SMITH. Mr. Chairman, is this the employment-generated direct?

Senator McCLURE. Yes.

Mr. SMITH. As I understand it, Mr. Chairman, since they were making forest computations a year ago, they've changed—they did some research on looking at how many jobs a million-board feet would produce. In previous years we've been using seven jobs per million-board feet. As I understand, researching the situation now with the Timber Council and other agencies on how they generate the number of jobs produced by a million-board feet, we determined that we were only

looking at direct employment. They decided to also look at the indirect jobs generated in a community for each million-board feet.

They determined that was 15.8, so they went back and used different figures for 1983 in this year's report, and that's what happened.

Senator McCLURE. So it's simply a difference in the assumptions under the indirect employment.

Mr. SMITH. As I understand in the last year we used 7—7 people would be employed for a million-board feet—as a new standard suggests 15.8 or something like that.

Just change it and multiply.

Mr. HUGHES. Mr. Chairman, if I may, just for the record—you commented that all of the numbers go down from 1984 to 1983, and I would call your attention to the table on page 150, the justification.

Some of the numbers between 1983 and 1984 do go up that bear on income. The volume of timber harvested does go up——

Senator McCLURE. I was just comparing 1983 to 1983. I was not comparing 1983 to 1984.

Mr. HUGHES. I mean last year's estimates.

Senator McCLURE. Yes.

Mr. HUGHES. To this year. All right; the changing assumptions then apply. I thought you were comparing to 1984. I withdraw it.

Senator McCLURE. I think that explains it and I appreciate the answer.

What's the volume of timber sold but unharvested?

Mr. MILLS. 823,895,000 board feet.

Senator McCLURE. Of that amount—excuse me?

Mr. MILLS. A million-board feet—823 million-board feet.

Senator McCLURE. I think I understand what you're saying, in spite of the way you're saying it. [Laughter.]

Of that amount, on what portion do you expect the contracts to be defaulted?

Mr. MILLS. We expect very few, if any, contracts to default this year. A recent upturn in the lumber market did enable the holders of current contracts to fulfill their contracts or be placed in a better position to request and be granted extension of time if necessary.

Senator McCLURE. So you expect to grant extensions? When you say very few, if any, will default, that will be because you'll grant extensions; is that correct?

Mr. SMITH. Yes, I think that's——

Senator McCLURE. All right. Upon what volume do you expect to have to grant extensions?

Mr. SMITH. Mr. Chairman, I think we would have to review that and go back and see and provide that for the record specifically.

Senator McCLURE. If you would do that, please.

[The information follows:]

VOLUME OF TIMBER SALES ON WHICH THE BIA EXPECTS TO GRANT EXTENSIONS

During the current fiscal year (1983) timber sale contracts have been extended as follows:

Area	Number	Million board feet
Portland	14	50.0
Albuquerque	2	12.0
Billings	1	1.5
Total	17	63.5

In addition, one purchaser in the Billings area recently entered bankruptcy leaving 75-million-board feet of timber uncut which had been previously scheduled for harvest over the next 6 years.

Projections for fiscal year 1984 are very speculative but we believe there is a high probability that at least one long-term sale representing a volume of some 200-million-board feet may be extended later this year or early 1984 in the Pacific Northwest.

ACCURACY OF TIMBER HARVEST ESTIMATES

Senator MCCLURE. For the fiscal year 1982, the Bureau had originally anticipated offering and harvesting twice as much timber as was actually offered and harvested.

Do you feel that the current estimates are more accurate than those provided with the fiscal year 1982 budget?

Mr. MILLS. The original estimates for 1982 were based on forecasts of economic recovery. The present estimates are based on actual recovery, which has started and shows signs of continuing.

Senator MCCLURE. So you're forecasting recovery again. You think your current forecasts are better than your former forecasts; is that your answer?

Mr. MILLS. Yes, sir.

Mr. SMITH. Mr. Chairman, I know we were anticipating recovery and of course it didn't happen and now——

Senator MCCLURE. And now this year you're seeing——

Mr. SMITH. And now we actually see the indications that—we looked at the current WWT index; it is coming out and we see the indications——

Senator MCCLURE. In short, the answer is you think these estimates are going to be better?

Mr. SMITH. We think so. We know so. [Laughter.]

Senator MCCLURE. As a matter of fact, you're ordered to think so. [Laughter.]

TIMBER SALE ADMINISTRATION

Senator MCCLURE. $9.7 million was budgeted for timber sale administration in fiscal 1982. With the offering and harvest down 50 percent from the estimates that year, was the full $9.7 million spent on sales administration?

Mr. MILLS. Considerable work has been done in preparing for new sales—obtaining environmental assessments, archeological clearances. A

total of $8.5 million was spent on sales administration for fiscal year 1982.

Senator McCLURE. If I follow correctly then, about 80 percent of your costs of sales administration are in preparation?

Mr. MILLS. Yes, sir.

Senator McCLURE. And only 20 percent in the administration of sales?

Mr. MILLS. I'm not sure on that, sir. I'd like to check that out.

Senator McCLURE. Would you please, because that would be the quick reading of the figures you just gave me, and that would seem to me to be a little high on the preparation side and a little low on the administration side.

Mr. MILLS. Mr. Chairman, were you comparing the figures of $9.7 million versus $8.5 million?

Senator McCLURE. Yes, I was. And dividing that in two, because you did actually offer and harvest 50 percent of your estimates, so I took 50 percent out before I made the comparison between the remainder.

[The information follows:]

EXPENDITURES FOR TIMBER HARVEST ADMINISTRATION VERSUS SALE PREPARATION

In fiscal year 1982, $8 million was spent on timber sales administration. The estimated appropriation for fiscal year 1983 was $9.7 million. However, the final appropriation for fiscal year 1983 was less than the estimate, which caused a downward revision in all activities. The final amount budgeted for timber sales administration in fiscal year 1983 is $9 million. While we do not maintain records with this specific breakdown under timber sales administration, we polled our field offices and came up with a best guess estimate of about 75 percent of timber sales administration used for timber harvest activities with the remainder used for presale preparation activities. During poor market years such as we've recently experienced, a high portion does go into presale activities on the anticipation of a market upturn. Nonetheless, these proportions are generally correct because poor markets tend to cause contractors to seek shortcuts which in turn requires, at least in some instances, even more intensive sales administration efforts.

TRANSFER OF FISH AND WILDLIFE SERVICE HATCHERIES

Senator McCLURE. Several hatcheries were transferred from the Fish and Wildlife Service to the Bureau of Indian Affairs in the 1983 budget, and several more are to be scheduled for transfer in 1984.

Of those which have been transferred—for how many has the Bureau entered into a contract with the Fish and Wildlife Service for operation of the hatchery?

Mr. MILLS. Mr. Chairman, in fiscal year 1983 there were no hatcheries transferred. We entered into an agreement with Fish and Wildlife to operate two hatcheries, one in Mescalero, N. Mex., and one in Williams Creek, Ariz.

Those were two hatcheries in fiscal year 1983 that we have entered into an agreement with Fish and Wildlife to operate. These hatcheries were scheduled to be closed.

Along with those there were six technical units that were scheduled to be closed. They were also covered in the agreement wih Fish and Wildlife.

That agreement only covers through fiscal year 1983. Now in fiscal year 1984 there are four hatcheries transferred from the Fish and Wildlife to the Bureau of Indian Affairs. One is the Makah Hatchery, Wash.; Quinault, Wash.; Warm Springs, Oreg.; and Alchesay, Ariz.

At the present time we are still working with the Fish and Wildlife to work out the transfer as well as the total cost that it takes to operate them.

Senator McCLURE. What I'm really looking for is whether we changed anything in the operation, or if we've only changed the funding from that of the Fish and Wildlife budget to BIA budget, but still have them operated in the same way by the same people.

Mr. MILLS. In fiscal year 1984 we were told everything would change; that is transferred to us completely—the four hatcheries.

Senator McCLURE. And who will operate them?

Mr. MILLS. At the present time we're working that out to see which method would be better, to transfer funds to Fish and Wildlife or take them over completely.

Senator McCLURE. Well, if you leave them in the operation of Fish and Wildlife, we've only changed the figures from one ledger sheet to another.

Mr. MILLS. Yes, sir.

Mr. SMITH. Mr. Chairman, I think we've got a variety of options. One option might be to take them over lock, stock, and barrel and operate them. Of course another would be to enter into a memorandum of agreement with Fish and Wildlife and we get the money appropriated in our budget and let them operate them with their employees and continue like it is.

Another option might be to work with the tribes and see if they would want to contract.

So we're reviewing all options at this point and we haven't come to a clear decision.

Senator McCLURE. I did not follow as closely as I perhaps should have. Did the four that are to be transferred include the two that you had contracted for?

Mr. MILLS. No, sir.

Senator McCLURE. So there would be an addition—you would transfer four and still have contract operation on two?

Mr. MILLS. No, sir, the two that we have worked out an agreement for with the Fish and Wildlife for this fiscal year—we will be addressing that issue in the next 30 days to see how we would handle that.

These two were scheduled to close. The Bureau looked at it and found that we needed time to work things out in the field, to work with tribes. So we decided if the funds go another fiscal year we could take a look at this.

Senator McCLURE. If I recall correctly, one of those was scheduled to close, the other was funded in the Bureau for 1983?

Mr. MILLS. The two hatcheries scheduled to close for this fiscal year are Mescalero and Williams Creek. Those two were not included, they're not in the transfer in fiscal year 1984.

Senator McCLURE. Right, but if I understand you, you said they were both scheduled to be closed; one was scheduled to be closed, the other was actually funded in BIA budget for 1983; isn't that correct?

Mr. MILLS. We provided funds for both of those hatcheries——

Senator McCLURE. Yes; but one was budgeted directly; wasn't scheduled to be closed, it was simply transferred and was expected to be paid by BIA; is that not correct?

Mr. MILLS. Senator, I'm not——

Senator McCLURE. Would you provide that for the record, please?

Mr. MILLS. Yes; we will.

Senator McCLURE. And as of this time you don't know what you're going to do with either of those two?

Mr. MILLS. We're studying that right now.

Senator McCLURE. And you'll make a determination——

Mr. MILLS. Within the next 60——

Senator McCLURE. Would you provide that information when you make that determination?

[The information follows:]

FISH HATCHERIES

In fiscal year 1983 there were no Fish and Wildlife Services (FWS) hatcheries transferred to the BIA and only two memoranda of agreement (MOA) have been negotiated with FWS to operate hatcheries. In fiscal year 1983 the BIA entered into memoranda of agreement with the FWS to continue the operation of two fish hatcheries and six fisheries technical assistance stations on a cost reimbursable basis. These facilities included Mescalero, NFH, N. Mex.; Williams Creek NFH, Ariz.; and fisheries assistance offices at Parker, Ariz.; Pinetop, Ariz.; Gallup, N. Mex.; Vernal, Utah; Lander, Wyo.; and Kalispel, Mont. The costs associated with operation of the Mescalero and Williams Creek fish hatcheries are $151,500 and $101,000, respectively. In addition, a total of 29 FTE were transferred to the FWS to cover personnel needs for the operation of these facilities. Mescalero and Williams Creek, therefore, remained FWS hatcheries funded through transfer of FTE and money from BIA. The BIA's fiscal year 1983 wildlife and parks budget included funds to continue the operation of the Williams Creek hatchery and four technical assistance stations, all of which were scheduled for closure by FWS in fiscal year 1983. Funds that were transferred to the FWS to operate the Mescalero hatchery and two more technical assistance stations provided from other funds in the wildlife and parks program.

In fiscal year 1984 the BIA proposes to again provide funding to the Williams Creek and Mescalero Fish Hatcheries, in the amounts of $101,000 and $150,000 respectively. Although these hatcheries are not listed as line items in the fiscal year 1984 budget, we propose to provide funding through our fishery technical assistance and fishstocking activity. We will again negotiate with FWS to detemine if FWS will operate the hatcheries on a cost reimbursable basis.

In fiscal year 1984, the FWS will transfer four national fish hatcheries located on Indian lands to the BIA. These are Makah, Wash.; Quinault, Wash.; Warm Springs, Oreg.; and Alchesay, Ariz. The transfer includes $913,000 and 21 FTE to cover the day-to-day operation and maintenance of these facilities. BIA has not yet decided how these hatcheries will be operated. Several options are being explored. These include: (1) contract directly with the tribes; (2) convert them to BIA facilities, including personnel; (3) contract with FWS to continue operations. The tribes are currently being consulted for their recommendations, after which decisions will be made.

Senator McCLURE. The Bureau places irrigation projects in five categories for the purpose of budgeting operation and maintenance funds.

Category I projects are lands which have the capability to pay the annual operation and maintenance costs and assessment rates are set to return the full cost.

If the rates are set to return the full cost, why does the budget include a request for $895,000 for category I projects?

Mr. MILLS. Mr. Chairman, the idle Indian-owned lands within the category I projects generate operational and maintenance costs.

Irrigation water is not delivered to those lands, but nonetheless costs are created, then water is delivered to nearby farmland. It's necessary that we pick up those costs.

Senator McCLURE. But then, the assessment rates are not set to return the full cost?

Mr. MILLS. Yes, they are.

Senator McCLURE. If all land is used every year or what? I'm not sure I understood your explanation.

Mr. BALSIGER. Mr. Chairman, if all land is used every year, then there would be no need for the—appropriation. In the irrigation projects there are a number of poor pieces of land that are not rented to somebody other than the Indian farmer and the Indian farmer isn't farming it. That's still considered a part of the overall irrigation project and there is an O&M assessment on that land.

Where water is not delivered to that Indian land, that's what this appropriation is for.

Senator McCLURE. You mean the assessments are made on the basis of full operations and full irrigation of all the lands in the unit?

Mr. BALSIGER. That's right.

Senator McCLURE. And if some of the lands are not operated, that is a deficiency.

Mr. BALSIGER. That's correct.

Senator McCLURE. The O&M is not assessed for the remaining acres; is that correct?

Mr. BALSIGER. That's correct.

Senator McCLURE. So that you don't get full costs; the only time you would get full cost is when all lands are irrigated?

Mr. BALSIGER. That's correct.

Senator McCLURE. Would you describe if the assessment rates are to return the full cost because as a matter of practice you don't get full cost return?

Mr. BALSIGER. I think it's a matter of terminology.

Senator McCLURE. Well, as I understand, the category I projects are lands which have the capability to pay the annual operation and maintenance costs?

But that's only a theoretical capability?

Mr. BALSIGER. Yes; it may be that that piece of land isn't rented this particular year.

Senator McCLURE. I used to be the secretary of an irrigation project and maybe that warps my perspective, but we had to pay the bills——

Mr. BALSIGER. That's right.

Senator McCLURE [continuing]. And if there's some land that wasn't operated that year, the remaining acres paid whatever was necessary to pay the bills.

You got a kind of a slush fund back up here that says if you don't operate the lands, you'll just back up into the slush fund.

Mr. BALSIGER. But it also becomes a lien on the land.

Senator McCLURE. Becomes a lien on those lands that were not operated?

Mr. BALSIGER. Yes.

Senator McCLURE. And then you pick it up the following year?

Mr. BALSIGER. If it comes up, we'll pick it up—if it comes into production, we pick it up.

Senator McCLURE. Well, then, if that's the case then, in the succeeding year you would have more than enough to pay all of the operating costs; is that correct?

Mr. BALSIGER. If you had all the land in production, yes. If this was not Indian land in the irrigation project and it was not used, then nobody pays the bill. Pretty soon there'd be a foreclosure and the land would be picked up and either the project would own it or somebody else.

Senator McCLURE. Right. But if you pick up that money in a subsequent year, then apparently it's used to reduce the O&M charge against the remaining acres?

Mr. BALSIGER. It's to protect the irrigation project against Indian lands not utilized.

Senator McCLURE. But if that's the case, then the people who are irrigating the lands on a regular basis get the benefit of the default of the people who have not used the lands every year; is that correct?

Mr. BALSIGER. I guess you could put it that way.

Senator McCLURE. Because it reduces the O&M assessment in subsequent years when it is collected.

Mr. BALSIGER. Absolutely.

Senator McCLURE. Why should we do that?

Mr. SMITH. Mr. Chairman, I think that's a good question. I think if you've got a project out there that should pay for itself, at least for operational and maintenance, the irrigation district should pay for itself, regardless of whether you had some lands that are not being used or are idle. We have to take a good look at this and review the statute and regulations and how we deal with this particular situation. We can report back to you.

Senator McCLURE. Would you do that, please?

Mr. SMITH. Yes.

Senator McCLURE. I don't mean to be unduly harsh on these particular ones, but it appears that the theory doesn't match the practice, and if the theory is correct, the practice ought to be conformed to it.

If the theory is not correct, then let's change the theory.
[The information follows:]

IRRIGATION OPERATION AND MAINTENANCE

The current practices related to category 1 projects are:

Category 1 irrigation projects comprise lands with the capability to pay the full O&M costs. Within the category 1 projects, there are idle Indian-owned lands intermingled among the lands in production. These idle Indian lands do not receive water nor generate O&M revenue. The costs of water delivery are assessed on a pro rata per acre basis to all assessable lands, including the idle Indian land, since the cost of service is the same whether farmed or idle. Funds requested for payment of assessments under this category are used to pay that part of the uncollectible current annual per acre assessment against these idle Indian-owned lands. Funds so paid become reimbursable debt due the United States and are placed as liens against the land.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. There are a number of other questions which I'll submit for the record for your response in writing, and I would appreciate that promptly so we can deal with the appropriations request.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Indian Child Welfare Act Grants

Question: Last year the conferees accepted the additional $2 million provided by the House for the Indian Child Welfare Act grants but stated that the funds were to be used for high priority projects either on or off reservation rather than earmarking the entire amount for off-reservation projects. Of these additional funds, how much is being used to support on-reservation projects?

Answer: The additional $2 million made it possible to fund 25 high priority grants both on and off-reservation in the 92 to 99 percentile ranking of our priority setting process. Twenty of the grantees were tribal and 5 of the grantees were off-reservation Indian organizations. Dollar amounts were $1.6 million for tribal organizations and $.4 million for off-reservation organizations. Of the balance of $7.7 million, $6.2 million were for tribal organizations and $1.5 million were for off-reservation organizations.

Question: The main purpose of the Child Welfare Act was to keep Indian children from being removed from the reservation. The IG's report mentions a specific example of a tribe with only thirty children under the age of eighteen none of whom had ever been removed from the reservation, nor had any children been placed in foster care. The children in need of care were taken in by extended family members. This tribe received funds for a day care center. Another small tribe received funds for recreational activities, to assist families in cleaning their homes and to hire tribal members to teach handicraft skills to the children. While these may be desirable activities, it seems questionable to support such activities under the stated objective of the program which is to prevent the breakup of Indian families. What is being done to ensure that the funds are directed to those areas where an actual problem exists with regard to the foster care placement of Indian children?

Answer: The first example was the Shingle Springs group which received a small $10,106 sub-grant, under the auspices of the California Tribal Chairmen's Association, for a day care program for 12 childen of working parents. The sub-grant was a subsidy to the fees paid by the working parents for the day care service. The second example, was a consortium of five tribes, Alturas-Lookout-Pit River-Cedarville-Fort Bidwell, to operate a Family Counselling service grant of $28,840, which did include the activities described as components of the overall counselling service. We have established a priority listing of grant service areas in the ranking decision process for funding purposes which serves as a method of emphasizing to eligible applicants those problem areas that are most important to serve. Priority 1 provides for the temporary custody of Indian children.

Social Services Program

Question: Last summer the Office of the Inspector General conducted an audit of the Social Service program contracted by the Southern Ute Tribe. Through a limited testing of payments made in the first six months of the 1982 fiscal year, the IG's office found errors in every one of the General Assistance payments which resulted in overpayments of forty-three percent of the total payments. In the review of foster home care payments for twenty children they found that payments for three children were made to relatives or legal guardians and that payments for seven others were made based on informal or voluntary placements. The twenty children had been in foster care placement for a total of more than 145 years. Some of these deficiencies had been noted in 1979. What action has been taken to improve the program performance under this grant?

Answer: This was a "Memorandum Audit Report" issued July 16, 1982, as a part of the IG's basic audit of the Social Services Automated Delivery System. The general assistance audit consisted of ten (10) cases totaling $2,506 with errors noted in all cases resulting in $1,080 in overpayments. The basic error noted was in providing assistance for the full month in which the applicant applied, rather than in prorating the days of the month from date of application. In FY 1982, the Southern Ute Tribe has an average monthly

general assistance caseload of eight (8) cases, so we assume that the ten (10) cases reviewed consisted of the total caseload. The same could be true of the twenty (20) foster care cases reviewed in the amount of $4,664. In FY 1982, the tribe had a monthly average of twenty-two (22) foster care cases. It is true that these deficiencies had been previously noted by area social worker program reviews. In fact, a program review for the period of May 24-25, 1982, had just been completed immediately preceding the IG's review. The tribe has responded by sending the tribal social worker to school for training during the period of June 1981 to June 1982. The tribal chairman responded to the audit on July 28, 1982, verifying the degree of Indian blood for three of the children in foster care. They are now using the Bureau ADP forms, rather than tribal forms; are prorating general assistance; and they are referring foster care cases to the La Plata County social services office for state eligibility. One explanation for the seven (7) year average foster care placement is the attitude and position of the judge of the tribal court who is a firm believer in foster care placement until the parents can prove their capability beyond a reasonable doubt. This has been the situation for a number of years with this court. The children noted above live with relatives and legal guardians. Although not currently wards of the court, placements of these children were made by the court. We do not consider this a typical contracted program.

Question: Have you any estimate of the error rate in the General Assistance program as a whole?

Answer: No, we do not, and the reason is the dual delivery systems. In FY 1981, the tribes contracted for 53 percent and in FY 1982 the tribes contracted contracted for 60 percent of the social services program. However, random quality control reviews by the area offices through on-site agency visits and queries into the ADP system, suggest about a 2 percent error rate. The preponderance of errors are found in cases of supplemental general assistance payments where the clients have other income available to partially meet their needs, and an error is made in determining the available net income. The ADP system has built in controls to avoid overpayments that exceed the standard of payment level in any given state for each size of family unit.

Law Enforcement Program

Question: According to a recent article in the Washington Post, the Bureau of Indian Affairs is in noncompliance with regulations concerning the detention of minors. What percent of minors who come in contact with the Bureau's system are held for non-criminal offenses?

Answer: Reservation criminal justice statistical data is not separated into Bureau and Tribal categories, consequently, we are not in a position to provide you with specific Bureau criminal justice statistical data. However, during calendar year 1981, combined Bureau and Tribal police departments arrested a total of 9,844 individuals under the age of 18. Of the total 6,903 were male and 2,941 were female. Of the total, 2,203 were arrested for "status offenses," offenses which would not have been considered criminal if they had been perpetrated by a person over the age of 18; for example, unlawful consumption of alcohol by a minor or curfew violation by persons under the age of 18.

Question: How many of the Bureau jails lack separate quarters for minors?

Answer: Of the 25 Bureau owned detention facilities, 6 have juvenile detention facilities totally separate from "sight and sound" of adults. Six have separate juvenile detention facilities, but not totally separate from "sight and sound" of adults. Thirteen do not have detention areas specifically set aside for juveniles. However, Bureau regulations prohibit the placement of juveniles in detention cells with adults and such placement in cells does not occur. The $10 million of funding in the jobs bill will help rectify the situation.

Question: Are there any plans to relocate those law enforcement divisions which are currently headquartered in Brigham City?

Answer: There are four law enforcement operating units located at Brigham City. They are the Criminal Justice Data Unit, the Inspection & Evaluation Unit, Special Operation Unit and the Police Academy Unit. The Bureau is currently

reorganizing the entire field operation with the objective being to make it more responsive and in keeping with fiscal limitations. Plans are being formulated to move the Criminal Justice Data Unit to the Central Office during FY 1983. The Indian Police Academy and the other field support units will remain in Brigham City until a decision is made on the operation of Intermountain and Southwest Indian Polytechnic Institute for FY 1984, because the Indian Police Academy must operate in a school setting because room and board are provided to the students who attend the 14 week basic recruit course. It would be extremely difficult, as well as financially impossible, to provide housing and food services to the students who attend the Academy. Housing would have to be provided through hotel/motel accommodations and food services would have to be provided at restaurants or through a catering service. Both of these alternatives are not acceptable because of cost. The Indian Police Academy will continue to operate with the present FY 1983/84 schedule of training.

Housing Program

Question: The fiscal year 1984 budget proposed elimination of the Bureau's Resident Training and Counselling Program. Many people for whom these homes are built have never had a house with running water or central heating or even kitchen cabinets. Doesn't this type of training program amount to preventive maintenance on these new homes?

Answer: Although the Resident Training and Counselling Program does contribute to preventive maintenance, there are other higher priority requirements for funding, particularly for programs in the tribal priority setting system. This program cost over $800,000 in FY 1983.

Self-Determination Services

Question: Five million dollars is requested for the Small Tribes Management Initiative, an increase of $2,500,000 over the amount provided for fiscal year 1983. To date, have any grants been made under this program. If so, please provide for the record, a list of tribes, their enrollment and the amount of funding received through this activity.

Answer: Yes, the majority of funds for the program have been awarded under some 89 grant agreements. The list of tribal grants includes 85 individual grants, two grants to an Alaska Native organization and two multi-tribal or consortia grants. We note a substitution relative to population, i.e. the populations listed represent "on or near" reservation population rather than tribal enrollment. Also we do not have complete information on grantees listed but we have instituted a standardized reporting format and such information will be available soon.

Tribe/Area	Population	Amount of Grant
Aberdeen:		
Flandreau	413	*16500
Lower Brule	988	19500
Santee Sioux	434	16400
Winnebago	1143	21500
Omaha	1469	22914
Albuquerque:		
Pueblo of Pojoaque	78	17518
Ute Mountain	1500	25000
Sandia Pueblo	295	31270

*Level of Funding Estimates

Tribe and Area	Population	Amount of Grant
Anadarko:		
Sac and Fox	1352	26465
Apache of OK	517	26811
Fort Sill Apache	70	16432
Delaware	522	16747
Caddo	1215	24812
Tonkawa	1265	25000
Iowa (OK)	203	16651
Prairie Band Potawatomi	1302	16500
Kickapoo (Kan.)	598	16700
Kickapoo Okla. (Texas Band)	650	16736
Kickapoo (Okla.)	950	16736
Absentee-Shawnee	1365	16736
Wichita	610	16913
Otoe	1165	16736
Iowa (Okla.)	203	17025
Eastern:		
No grants reported to date.		
Juneau: Two grants approved but must work out implementation plan.		
Kuskokwim Planning and Management Corporation	*	175,000
Interior Village Association		175,000

* Each grant to serve about 10 Native Villages.

Tribe/Area	Population	Amount of Grant
Minneapolis:		
Grand Traverse	843	13,450
Prairie Island	118	27,241
Lae Du Flambeau	1485	19,438
Bad River	1316	24,513
Forest Co. Potawatomi	390	15,666
Stockbridge Munsee	948	9,086
Saginaw Chippewa	768	29,353
Lower Sioux	209	
Grand Portage	310	17,210
Red Cliff	1349	15,800
Bay Mills	466	20,000
Shukopee Sioux	98	
Boise Forte	940	12,358
Hannahville	344	15,225
Mille Lac Lake	879	8,041
Upper Sioux	127	
Keewenaw Bay	893	8,245
Sac and Fox (Iowa)	695	
St. Croix	1041	
Sokoagon	280	19,580
Fond Du Lac	1431	21,000
Muskogee: Three Tribe Consortium		
Miami	350	24,300
Wyandotte	440	31,675
Intertribal Council		40,000

Tribe and Area	Population	Amount of Grant
Phoenix:		
Fort Mojave	537	34,000
Tonto Apache	66	20.000
Ely Colony	234	35,000
Goshute Bus. Council	211	15,000
Elko	468	20,000
Fallon Paiute	677	24,000
Moapa	216	27,500
Reno Sparks	603	30,090
Hualapai	1017	40,000
Yerrington	342	30,000
Ak-Chin	433	8,000
Chemehauvi	124	
Yavapai Prescott	75	
Pyramid Lake	776	43,670

Tribe/Area	Population	Amount of Grant
Portland:		
Metlakatla	976	12,000
Siletz		12,000
Coeur d'Alene	822	27,500
Kooteni	115	17,000
Shoalwater	62	24,417
Chehalis	721	16,181
Jamestown	323	20,704
Quileute	327	12,664
Quinault	1500 < (2013)	17,700
Hoh	61	6,074
Squaxin Is.	926	10,991
Makah	927	14,736
Skokomish	1008	15,000
Burns Paiute	194	15,500
Sauk Suiattle	255	18,942
Stilla Guamish	464	16,074
Swixomish	648	29,476
Nooksock	694	16,357
Upper Skagit	376	12,000
Nisqually	1257	10,700
Suquamish	1500	9,000
Muckleshoot	1500	12,000
Puyallup	1500	24,000
Tulalip	855	20,000
Kalispel	205	16,430
Sacramento:		
Karok	1192	24,600
Six Tribes Consortia		30,800
Fort Bidwell	162	15,400

There are a number of grant applications for the Core Management Program either under review or in the final stages of the approval process. For example, the Sacramento Area Office is completing a review of 16 additional applications and the Eastern Area has some 6 applications ready to review.

We should also note that most areas indicate that they have received an appreciable number of applications for amounts of requests for funding well over their allocations for the program. Most areas funded anywhere from 25% to 50% below the level of funding requested by the applicants and still had a shortfall of funds in excess of $800,000.

A final note is that most areas provided six month grants as a starting point for the program and most areas claim that they are receiving good applications;

that is, applications with documented or identifiable need/problem statements and work plans specifically addressing the need/problem areas. It is apparent that there is considerable interest in the program among small tribes.

Employment Programs

Question: Under Employment Assistance, a tentative allocation of $1,238,200 is earmarked for the United Tribes Educational Technical Center. One-million fifty-six thousand dollars was earmarked by Congress for this activity in the current fiscal year. From information we have received, there remains a problem with the Aberdeen Area Office actually providing the funding level cited. May we have your assurance that the funds earmarked for UTETC will be spent for that program this year?

Answer: All funds allocated for the United Tribes Educational Technical Center (UTETC) will be included in its contract and will be used solely by UTETC.

Question: The United Sioux Tribes of South Dakota have also contacted the subcommittee regarding their employment assistance contract. In fiscal year 1983 they are scheduled to receive $84,600 which is a reduction of 44% below the fiscal year 1982 level. According to the 1983 justification, there was to have been an increase of funds available to the tribes amounting to $4.6 million compared to fiscal year 1982. What are the reasons for the significant reduction in the amount of funds made available to the United Sioux Tribes?

Answer: The United Sioux Tribes of South Dakota Employment Assistance Contract will receive $72,000 from the Aberdeen Area FY 1983 allotment. An additional $25,000 will be transferred to the Aberdeen Area for specific use by the contract, making the FY 1983 amount $97,000. Below is a table showing an increase at the Tribe/Agency level of $4,634,000:

		1982 Appropriation Enacted to Date	FY 1983 Base	FY 1983 Estimate	Inc. (+) or Dec. (-)
A. Employment Assistance	($)	27,120	27,417	27,514	+97
	(FTE-T)	(187)	(188)	(170)	(-18)
Total Requirements	($)	27,120	27,417	27,514	+97
	(FTE-T)	(187)	(188)	(170)	(-18)
Distribution:					
Tribe/Agency Operations	($)	19,992	20,256	24,890	+4,634
638 Pay Cost (DE/AVT)	($)	-0-	-0-	198	+198
Area Offices Operations	($)	2,658	2,689	2,170	-519
Indian Action Team Transfer (Ag)	($)	4,272	4,272	-0-	-4,272
Central Office Staff Operations	($)	198	200	256	+56

The United Sioux Tribes of South Dakota Employment Assistance Contract funded through the Aberdeen Area Office Operations portion of the Employment Assistance program is to provide direct employment services. When tribes set priorities for FY 1984, the funding for the direct employment services was reduced Bureau-wide in favor of Adult Vocational Training services. This reduction affects such operations at the Tribe/Agency, Area and Central Office levels, plus all contracts that provide direct employment services.

The United Sioux Tribes of South Dakota could increase their contract amount by requesting their member tribes to move part of their Tribe/Agency funding for the direct employment activity to the contract operation. However, the Bureau will not make such transfers without specific requests from a tribe.

Question: According to the fiscal year 1982 and 1983 justifications, approximately 27% of the participants in the employment assistance program did not complete training. Page 120 of this year's justification shows an average of over 90% placed in employment. Is the current data more accurate than that supplied in earlier years?

Answer: The Ironworker Training program director was contacted and reported approximately 95% of those completing training were placed in employment. The Director of the United Sioux Educational Technical Center reported approximately 90% of those completing training were placed in employment. The AVT program administered by the Bureau and tribes should be 85%, not 90% as indicated on page 120 of the FY 1984 Justification. This data is more accurate than in earlier years.

Question: The workload data supplied on page 122 of the justification shows a termination rate of 27 percent in the training programs. Can you reconcile the information provided on page 120 with that provided on page 122?

Answer: On page 120, FY 1984 Base Participants, for Special AVT - SIPI, the Total Participants should be 450 not 400 based on further analysis subsequent to the submission of the budget. The Total Participants would change from 4,380 to 4,430.

On page 120, the historical listing for FY 1980 through FY 1982, Total Participants should be replaced by AVT Completions. The table should read as follows:

Vocational Training Program	FY 80,81 & 82 AVT Completions	% Placed in Employmt.	% Retained on Job ofter 1 Year*
National Ironworkers Training Program	232	95%	100%
United Tribes Educ. Technical Center	411	90%	80%
AVT Program operated by Tribes and BIA	5,720	85%	90%
Special AVT-SIPI**	-0-	-0-	-0-

* Does not include FY 1982. Not on job for one year.
** Not included. Operated by BIA Education, FY 1980-1983.

On page 122, the workload data does not give placements of the Ironworkers and UTETC programs. The terminations figures are for the AVT participants only. The completed-placement figure is approximately 85% of the total for completed-placement and completed-nonplacement. The AVT Participants figures represent what is accomplished by Bureau and tribal contractors in the AVT program. "Carryover to next FY" and "terminations", indicated by asterisk, do not include Ironworkers and UTETC as stated under workload data (page 122). They were erroneously omitted.

Economic Development

Question: Ten million dollars is requested for the economic development grant program, an increase of $5,000,000 over the amount provided for fiscal year 1983. To date, have any grants been made under this authority? If so, please provide for the record a listing of the tribes, the purpose of the grant, the amount of the grant, and the amount of non-federal support available to support the project.

Answer: Ten million dollars is requested for the economic development grant program for fiscal year 1984. The current budget for this program is $5,000,000. No grants have been awarded to date.

The first round of review of grant applications occurred the latter part of May 1983, and the first grant awards will be announced early in June. The Committee will be furnished a listing of grant recipients, the purpose, and amount of the grant, and the non-Federal investment in the projects.

Question: Considerable concern has been expressed over the required non-federal match which must be at least 75% of the total cost. Will this requirement be maintained?

Answer: A straw poll of BIA Area Offices indicated that twenty-five proposals for EDI grants were submitted to Agency Offices by April 15, 1983. We expect at least that many have been submitted in the second round of applications after April 15, but before May 30, 1983. At this point, we have no reason to believe that tribes will be unable to raise the required 75 percent non-Federal share for these grants. Therefore, we intend to maintain the requirement in fiscal year 1984.

Question: Last year's justification indicated that additional legislation was required to fully implement the program. There is no mention of that in this year's justification. Do you now plan to limit activity to those areas currently authorized?

Answer: Failure to address the need for the proposed legislation for the reauthorization of the Indian Business Development Grant program in the economic development grant program FY 1984 budget justifications was an oversight. The Bureau has prepared proposed legislation which would reauthorize the Indian Business Development Grant Program under the Indian Financing Act of 1974. This will consolidate the provision of the present grant program with authorizations for the direct loan and loan guarantee programs allowing a more unified approach to financing Indian economic development. Until the Indian Business Development Program is reauthorized, the Bureau will administer economic development activities on Indian reservations under the present rules and regulations of the Special Grants for Economic Development Program.

Natural Resources Development Programs

Question: Page 145 of the justification shows a workload figure of 94 thousand acres under soil investigation for fiscal year 1982 which is only 11% of the usual annual workload. Both the '82 and '83 justifications had estimated the number would be in the 700 to 800 thousand acre range. What is the reason for this disparity?

Answer: The 94 is a typographical error. The correct number is 715.

Question: What is the volume of timber sold but unharvested?

Answer: The volume of timber sold but unharvested is 823,895,000 board feet

Question: Of that amount, on what portion do you expect the contracts to be defaulted?

Answer: We expect very few, if any, contracts to default this year. The recent upturn in the lumber market should enable the holders of current contracts to fulfill their contract or be placed in a better position to request and be granted an extension of time in which to fulfill it.

Question: The timber sales offering for the current year is estimated to be 20 percent higher than the estimated volume sold. Why?

Answer: The Bureau, in anticipation of an eventual upturn in the market, has prepared a large number of sales which can be advertised for sale this fiscal year. While many of these will be purchased we anticipate that loggers may be reluctant to over commit themselves again and may only purchase what they can safely log this season.

Question: The subcommittee has received requests from many tribes for additional support of their hatcheries and fisheries programs. What is the backlog of maintenance and repair work which needs to be done on the hatcheries?

Answer: Funds for operations and maintenance of hatcheries are included in the FY 1984 budget at the same level as in FY 1983. Maintenance and repair work is scheduled as required within available funds. The projects listed below

are those which are scheduled for funding in future fiscal years. Estimates of maintenance and repair project costs are as follows:

Tribe	Description of Maintenance and Repair Projects	Estimated Costs
Bad River	° Repair and install adequate pump system to improve water circulation availability for walleye hatching puposes. Repair and construct rearing ponds to grow walleye for stocking.	$64,000
Lac du Flambeau	° Construct and repair rearing ponds to raise walleye for stocking purposes.	$30,000
Lummi	° Water supply line at Skookum hatchery is in need of additional riprap protection.	$150,000
	° Modification to the Fry rearing water reuse facility	$150,000
	° Rearing pond expansion	$80,000
	° Renovation of river pumping station currently supplying water to Lummi Bay chum hatchery	$150,000
Point No Point Treaty Council	° Repairs and maintenance are needed on existing raceways, some equipment upgrading is required.	$75,000
Suquamish	° Require maintenance and improvement on water recirculating facility to improve water condition for Coho and Steelhead production.	$35,000
Mescalero	° The Mescalero NFH requires repair work on the existing raceways and pavement. The garages and work shop are in need of patch work.	$75,000
White Mtn. Apache	° The Williams Creek NFH is in need of repair work on the existing raceways. General maintenance of hatchery equipment is also needed.	$75,000
Warm Springs Makah Quinault	° These facilities are being transferred to the Bureau in FY 1984. Although the funds associated with their operation is included in the transfer, these funds are basically to cover operation and day to day maintenance, Cyclic maintenance funds were not included. In order to continue efficient operation, maintain production, and avoid facility degradation, the three hatcheries require sufficient funds for Cyclic maintenance, and other necessary maintenance and repair.	$225,000

Question: According to the justification "O&M rates are expected to increase about 65 % between 1983 and 1984 reflecting the rapid rise in energy costs for pumping." What is the energy source for pumping and on what basis do you estimate a 65% increase in these costs?

Answer: The energy source is electricity furnished by the Power Division of the San Carlos Indian Irrigation Project. For a period of time the electric rates were not increased so, in part, the increase reflects a catching-up action. Moreover, residential and commercial electric power users were paying for the costs of pumping irrigation water, but this will not be the case in FY 1984. When this corrective action is taken, the project will increase O&M rates which

in turn will cause an increase in costs to the Indian operators because Indian water users are responsible for one-half of the total cost of the Irrigation Project.

Trust Responsibilities Programs

Question: Have the attorney's fees for the three Alaska Native Corporations been finally audited and settled? If so, what was the total approved claim?

Answer: Initial audits were made, and partial payments made to each corporation in FY 1982. Recalculations were requested of the Inspector General by the Associate Solicitor, and the supplemental report on the audits has been received - in March of this year. There are still open questions on some costs in two of the claims. These are being reviewed in the Department.

Facilities Operation and Maintenance

Question: For a period of several years, the Bureau has been attempting to reduce total square footage for which it is responsible. On page 208 of the justification an increase of $31,000 for direct rentals is included. The need for this increase was established by the tribal priority system." Has the tribal priority system ever led to a decrease in the amount of space requested?

Answer: The Bureau's efforts to reduce square footage relates to under-utilized space only. We concurrently have locations which have established a need for additional space. We have used the tribal priority system to allow agency level operations requiring additional space to finance direct rentals (primarily rented from tribes) by reordering their program priorities. Under the current circumstances, whenever new rentals are funded, the funds necessary have been established through the priority setting process with direct tribal concurrence. To date the process has not resulted in a decrease in space but could if requested by a tribe through adjustment of its priorities.

Question: What is the justification for including space costs on the "band" (tribal priority system)?

Answer: This policy was initiated to provide more responsibility in adding rental space to existing locations.

Question: What percentage of the facilities O&M program is banded?

Answer: Actual "base" funding for facilities O&M is not included in the priority system ("band"), therefore it is not possible to calculate a percentage. Past experience has been that only small amounts (less than $50,000) at a few locations (2 or 3 at most) each year have been involved in establishing funds for new rentals.

Question: Five hundred twenty-one thousand dollars is requested for O&M for new facilities. Five of the ten facilities are not scheduled for completion until the last quarter of fiscal year 1984. Is there a possibility that all or some of these may slip to the first quarter of fiscal 1985?

Answer: Yes, there is a possibility that a project can slip from the last quarter of FY 1984 to the first quarter of FY 1985, however at this time slippage is not anticipated on any of the projects. In addition, our request for funds has taken into account the probable completion dates by including partial funding for those projects expected to be completed later in the year.

Question: Moencopi School is scheduled to open in June of this year and Rough Rock School in December. According to information contained in the construction section, Moencopi is only 14% complete; construction hasn't even started on Rough Rock. Do you stand by these completion dates?

Answer: The dates noted on page BIA-207 of the FY 1984 Budget Justification represent construction completion dates and are still considered attainable. The following is the project status, as of April 30, 1983, of the two referenced projects:

Moencopi Elementary School, AZ -- A construction contract was awarded and notice

to proceed issued on September 15, 1983. A construction period of 270 days was established. The estimated construction completion date is June 15, 1983. Construction is 68 percent complete. Installation of government equipment will be completed by July 1, 1983, allowing the facility to be turned over for school operations on July 5, 1983.

Rough Rock Middle School, AZ -- A construction contract was awarded and notice to proceed issued on September 29, 1983. A construction period of 460 days was established which brings the construction to completion on December 23, 1983. Construction is 20 percent complete. Installation of government equipment will be completed by January 11, 1984, allowing the facility to be turned over for school operations by January 16, 1984.

Question: With respect to Rough Rock, why should the Bureau open a school in mid-year? Is this a new facility or a replacement?

Answer: The new Rough Rock Middle School provides consolidated educational facilities for grades 6 through 8. The new structure replaces three buildings which are inadequate to meet the educational requirements and are uneconomical to improve for educational purposes. Placing the new facilities into operation in mid-year will allow the educational program to expand to meet requirements, provide for more efficient operation, allow better monitoring of students, and provide an environment which meets current fire and life safety requirements.

Question: For the record, please provide a status report on the construction of the five facilities slated to open between May and August 1984.

Answer: The following is the construction status, as of April 30, 1983, of the five projects noted on page BIA-207 of the FY 1984 Budget Justification which are scheduled for completion between May and August 1984.

Rosebud Law Enforcement, SD -- The design and engineering has been completed and approved. An Invitation for Bids was issued on March 17, 1983, with the bid opening May 3, 1983. Award of the construction contract was expected by June 10, 1983, however, the lowest bidder was non-responsive when he did not provide the proper documentation in accordance with bid requirements. A review of the next lowest bidder is in process and it is anticipated that the construction contract will be awarded by July 20, 1983. With a construction period of 260 days completion should occur April 5, 1984. Installation of government equipment will be complete by April 14, 1984, allowing the facility to be turned over for Law Enforcement Services on April 18, 1984.

Menominee Courthouse, WI -- This project is under design with the architectural-engineering work approximately 90 percent complete. The project is scheduled to be advertised for bids on May 5, 1983, with bid opening on June 6, 1983, and award of the construction contract by July 29, 1983. A 300 day construction period has been established which would bring construction completion to May 25, 1984, allowing the facility to be turned over for Law Enforcement Services on June 13, 1984.

Little Eagle Day School, SD -- The design and engineering has been completed and approved. An Invitation for Bids was issued on February 14, 1983, and bids were opened on March 31, 1983. The construction contract was awarded on June 7, 1983. A construction period of 300 days will bring the construction to completion on March 5, 1984. Installation of government equipment will be finalized by March 30, 1984, allowing the facility to be turned over for school operations on April 2, 1984.

Bug-O-Nay-Ge-Shig School, MN -- The design and engineering documents have been completed and approved. Negotiations are being conducted between representatives of the Leech Lake Reservation Business Committee and the Bureau of Indian Affairs Under P.L. 93-638 for accomplishment of the construction. Award of the construction period will bring the construction to completion on August 24, 1984. Installation of government equipment will be finalized by September 14, 1984, allowing the facility to be turned over for school operations on September 17, 1984.

Management and Administration Programs

Question: How many complaints were filed with the Equal Employment office in each of the last three fiscal years? Of those amounts, how many were initiated by employees of the equal opportunity office?

Answer: There were 31 complaints filed in FY 1980, 34 in FY 1981 and 17 in FY 1982. In FY 1982, an employee of the Indian Health Service, an Equal Opportunity Specialist, who was not selected for a Bureau EEO Specialist position, filed a formal complaint based on sex.

Question: In fiscal year 1983, $1,580,000 was requested for postage based on estimated mail volume of 5,800,000 pieces which averages 27 cents per piece. This year's request totals $1,580,000 for 3,987,165 pieces of mail, which is an average cost of almost 40 cents. As there has been no rate increase in the last year, please explain this difference.

Answer: Even though the workload table in the FY 1983 Justification indicated the volume of mail as franked mail, the 5.8 million pieces reported was the total mail volume both franked and unfranked. In our FY 1984 justification we have reported only franked mail totalling approximately 4 million pieces. We estimate that an additional 2 million pieces of mail will be dispatched through our metered mail services which exist at the Central and Area Offices. Assuming a total mail volume of approximately 6 million pieces in FY 1984, the average unit cost would be slightly over 26 cents at a total cost of $1,580,000.

Question: Approximately 75 percent of the ADP budget is to be financed through user charges. The Bureau has incurred certain obligations for ADP such as equipment leases and a multi-year $17 million contract. If the programs don't use enough time to cover ADP costs will you simply increase the rate they pay for the services actually used?

Answer: As far as the cost of ADP equipment leases are concerned, if users use less services, the rate per unit of services will increase. However, in our FY 1984 budget request, we have requested separate funding totaling $3,115,000 to directly finance most of the cost of equipment leases. Therefore, a difference in use would not increase the ADP user charge. The accrual of ADP user charges which are other than equipment cost are a function of work performed as requested by the user. If the user requests fewer services ADP costs will go down.

Question: The Bureau transferred its payroll/personnel system to the Bureau of Reclamation. In addition to a number of problems which have been encountered during the shakedown period, the Bureau will also spend almost twice as much in fiscal year 1984 as it cost to operate the system in fiscal year 1982. During this period, your full-time permanent positions will have decreased by more than 400. This doesn't appear to be very cost effective. Why was the change made?

Answer: The fact that our permanent positions will have decreased by more than 400 between FY 1982 and FY 1983, will only have marginal impact on the costs of our payroll/personnel system. The Department did a study last year to determine the most effective way for the Department as a whole to operate its payroll and personnel ADP systems. As the result of that study, all bureaus will eventually be on the payroll/personnel system used by the Bureau of Reclamation. Once all systems have been converted, which is being done in phases by 1986, the Department as a whole will save about $2,000,000 per year.

Question: Six hundred eighty thousand dollars and twenty-five positions are requested to initiate a program of contract oversight and control. How will this office relate to the Office of the Inspector General?

Answer: There is no planned duplication of responsibilities between this staff and the Office of the Inspector General (OIG). The OIG routinely performs audits of the 638 contractor/grantee organizations looking both at fiscal and programmatic operations. Based on these audits, OIG establishes indirect cost rates for each 638 contractor/grantee. The 638 Contract Oversight staff will primarily provide a review of Bureau contract/grant office operations and will evaluate Bureau staff for adherence to regulatory statutary policy, and procedural guidance including those which dictate the provision of technical assistance to tribes.

In order to describe the expected workload for the staff, the total number of P.L. 93-638 grants with their amount for FY 1982 and estimates for FY 1983 and FY 1984 are outlined on the following page:

Self-Determination Grants by category	($000) FY 1982	($000) FY 1983 Estimate	($000) FY 1984 Estimate
(a) Strengthening Tribal Government	$16,267	$16,076	$18,340
(b) Planning and Evaluation	600	601	689
(c) Land Acquistion	102	114	129
(d) Designing of Federal Programs	115	131	136
Total Grant Funding	$17,084	$16,922	$19,294
Total Number of Grants:	(459)	(464)	(470)

The number of P.L. 93-638 Contracts for FY 1982 and estimates for FY 1983 and FY 1984 based upon past performance trends and preliminary field reports are as follows:

	FY 1982	FY 1983 Estimate	FY 1984 Estimate
Number of Contracts	1,152	1,160	1,180
Number of Contractors	295	300	305
Dollar amount (in thousands of dollars)	$224,000	$230,000	$235,000

Among the activities contracted are: Education, Indian Services, Irrigation Operations, Economic Development, Natural Resources, and some Trust Responsibilities services programs.

The OIG is primarily concerned with the contractor/grantee side while this staff will be primarily concerned with the Bureau side. Currently, it is anticipated that this staff will also work with the OIG to assist in establishing more valid and consistent indirect cost-pool information, especially in the area of determining reasonableness of costs.

Question: Each grant and contract specialist would be responsible for approximately fifty contracts based on the total of 1,180 contracts. Will the Bureau begin a routine audit of all contracts?

Answer: No, the audit function is the responsibility of the Office of the Inspector General.

Question: There certainly appears to be a problem with grants and contracts, but quite frankly, it appears that the Bureau needs more enforcers rather than more investigators. Literally hundreds of audits and reports have been issued by the General Accounting Office on BIA programs in the last several years and I feel safe in guessing that less than one-third of these have been resolved to the satisfaction of the investigators. What is needed is a team to ensure that the recommendations of the IG's office and the GAO, with which the BIA agrees, are carried out. How much time will this group devote to that type of activity?

Answer: This staff will focus primarily on the evaluation and enforcement functions associated with the administration of 638 contracts and grants. It is estimated that approximately 50% of their time will be utilized to insure implementation of recommendations provided by OIG and GAO as well as those which they will generate from their own evaluations.

Irrigation Operation and Maintenance - Collections

Question: Under miscellaneous appropriations, funds are provided for operations and maintenance of irrigation systems and power systems. The appropriations are made from revenues collected from systems users. We have received complaints that the Bureau has imposed personnel and travel ceilings on these accounts which are supported by user charges rather than tax funds. Why shouldn't the collections determine level of service provided in these areas?

Answer: For the most part collections made for operation and maintenance of irrigation and power systems do determine the level of services provided. However, as long as these collections are used to hire Federal employees these programs cannot be unilaterally exempted from any administratively imposed personnel targets and travel ceilings. Such ceilings have been imposed Bureau-wide and do not allow for exceptions except in the case of travel for school children. This latter exception was established through Congressional language added to the Bureau's administrative provisions. These Irrigation and Power project operators have the option of contracting with third parties or tribes to carry-out services currently performed by Federal employees. If such action were taken, the Bureau personnel targets and travel ceilings would not effect these programs.

Question: What portion of the travel reduction and general overhead reduction have been charged to these accounts?

Answer: None. The general overhead reduction applies only to the Operation of Indian Programs account. In addition, there have been no administative reductions made for travel in FY 1983 or FY 1984.

Question: What are the unobligated balances in these accounts for the last three years?

Answer: The end of year unobligated balance for FY's 1980, 1981 and 1982 are as follows:

FY 1980	FY 1981	FY 1982
$10,543,000	$12,662,000	$12,616,000

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

Question: In past years the BIA has operated a Resident Training and Counselling Program in conjunction with the Indian Housing Program. The justification for this program was that it educated tenants and home owners in Federally assisted housing with respect to their responsibilities as tenants and home owners. The program was considered to be a protection of Federal investment by teaching basic maintenance. In FY 1984 you propose to eliminate this program. If this program was necessary in past years, why is it not needed now?

Answer: Although the Resident Training and Counselling Program does contribute to prevent maintenance, there are others higher priority requirements for funding, particularly programs in the Tribal priority setting system. This program cost over $800,000 in FY 1983.

Question: It has been rumored that BIA may eliminate the HIP program entirely in FY 1985. Is there any substance to this rumor, and if so, what is the possible justification?

Answer: Yes. The Administration's proposed Housing bill would consolidate, in HUD, all Indian housing and community development programs replacing the current disparate Indian housing programs in Interior, HHS, and HUD with two alternative funding approaches. If this bill were enacted into law, the likely result would be the elimination of the HIP program in BIA.

Question: The only new funding for school construction requested in your FY 1984 budget is for completion of the Hopi High School. I note that there are a number of school construction projects underway, but I am concerned at the failure to ask for funding for planning and design of any new school projects or for any new construction funds in FY 1984. Could the Bureau please provide

this Committee with the most recent list of schools on the BIA priority list setting forth the top 10 schools?

Answer: The 1984 school construction priority list is ranked as follows:

1. Western Cheyenne River Consolidated School, SD
2. Papago High School, AZ
3. Two Eagle River Indian High School, MT
4. Rocky Boys Indian High School, MT
5. Coeur D' Alene Indian School, ID
6. Paschal Sherman Indian School, WA
7. Lac Courte Oreilles Ojibwa School, WI

There are no school construction priorities for 8,9 and 10 for FY 1984. Committed projects from previous year's lists are Hopi Junior Senior High School which is funded and Alamo Navajo School now under design but not yet funded for construction.

Irrigation Construction

Question: In FY 1984 the only funds requested by the BIA for construction of irrigation projects to serve Indian tribes is for $1 million for the Fallon irrigation project in Nevada. In FY 1983 some $9.8 million was appropriated for Small New Projects. By contrast the Department of Interior is requesting a substantial increase in funding for projects of the Bureau of Reclamation. Will you please provide this Committee with a list of the top 10 irrigation projects of the BIA priority along with an estimate of the construction costs?

Answer: The irrigation funding priority system ranks project work features in existing irrigation projects. The top 10 ranking in the FY 1984 field office submissions are:

1.	Sandia Pueblo - Farm Tenant development	$ 310,000
2.	Blackfeet - Rehabilitation of carriage system	455,000 *
3.	Isleta Pueblo - Farm unit development	280,000
4.	Yuma - Drainage system rehabilitation	250,000 *
5.	Crow - Replacement of structures	287,000 *
6.	Gila Crossing and Maricopa Colony-Rehabilitation of system	210,000
7.	Mescalero - Rio Hondo development	486,000
8.	Fort Belknap - Laterals and drains	310,000 *
9.	Fort Hall - Low head hydro construction	2,000,000
10.	Cocopah - Project completion	700,000

* Subsequent to preparation of this list the "Jobs Bill" was passed. These projects may be funded by the funds appropriated under this act.

School Closures

Question: BIA has only tentatively proposed closure of Intermountain, Concho, and Wahpeton boarding schools after the 1982-1983 school term. If it is decided that these schools would stay open, how much is the anticipated cost for these schools to continue to operate? From where would these funds come from?

Answer: The anticipated costs to operate these schools, should it be decided that they remain open are as follows:

School	Full Operations FY 1984 Educ. Funds	Full Operations FY 1984 O&M Funds	Amount in Budget Educ. Funds	Amount in Budget O&M Funds	Amount to be absorbed Educ. Funds	Amount to be absorbed O&M Funds
Int. Mt.	$2,595,000	$1,577,000	$2,531,000	$1,077,000	$64,000	$ 500,000
Wahp.	700,000	457,000	873,000	187,000	-103,000**	270,000
Concho	1,627,000	499,000	1,545,000	205,000	82,000	294,000
TOTAL	$4,992,000	$2,533,000	$4,949,000*	$1,469,000	$43,000	$1,064,000

* Other related transportation costs are included in the $9,958,000 in the FY 1984 Budget.

** This amount is a "savings" due to the budgeted amounts including funds for anticipated closure costs such as severence pay, lump sum leave payments, etc.

These costs would be absorbed from within the currently requested funds under the ISEF program and Facilities Management.

School Board Training

Question: The FY 1984 budget proposes to reduce the amount of funding for school board training from $800,000 to $25,000. Your justification indicates that further training is not needed. These funds will be used only to develop and print school board manuals as the past several years of training school boards has created a pool of tribal members to serve and train others. Have you conducted any studies on the rate of turnover in school board members? Do you think that this approach will serve the needs of school board training?

Answer: No, we have not conducted formal studies on the rate of turnover in school board members. However, we do know that most board members serve terms of from one to three years, with the terms being staggered to provide continuity. Since the tribes have the authority, pursuant to Public Law 95-561, to establish the school boards, tribal elections and subsequent changes in tribal governments can affect the composition of the school boards.

While training needs are on-going, we believe that experience of the past several years in this area can be utilized to train new members. The $25,000 budgeted in FY 1984 is for the development and distribution of a standardized training manual and will greatly reduce costs of bringing in special trainers or travelling to regional sites for training.

Question: Insofar as payments to public schools for special educational services to Indian students, does the Johnson-O'Malley (JOM) Indian education program and the Title IV, Part A, Indian Education program serve a similar purpose? If this is so, then is the BIA prepared to fill the void if Title IV is eliminated? Would the BIA be obligated to assume this responsibility?

Answer: The service population of the Title IV-Part A Indian Education Act (IEA) Programs are much broader and more encompassing than those of the Johnson O'Malley program which provides similiar services. The JOM program serves approximately 170,000 students living on or near reservations and includes only students age 3 through grade twelve of a federally recognized tribe with at least a quarter blood quantum. The quarter blood restriction is not imposed in the Title IV-IEA programs, whose service population is approximately 300,000, many of whom live in urban areas. Therefore, should Title IV-IEA be eliminated, only those students meeting the criteria established for the JOM program would be eligible for services either by JOM or the Bureau of Indian Affairs. The current position of the Administration is that those Indian students not living on or near reservations, as well as not being at least a quarter-blood Indian, should be served the same as other public school children through local and state resources.

Question: Do Title IV funds currently serve schools on or near reservations, including Alaska and Oklahoma?

Answer: Title IV-Indian Education Act funds are received by schools on or near reservations and in both Alaska and Oklahoma. Most Indian or Alaska Native students in those two states attend public schools which receive JOM funds for similiar services.

Question: Is the BIA budget proposal for FY 1984 prepared to absorb educational programs that might be terminated by the Department of Education?

Answer: No, the Bureau has not included funding for any particular program currently operated by the Department of Education because as was stated earlier, the Bureau already provides similiar programs for its service population and JOM funds to Indian and Alaskan Native students in public schools.

Question: In your opinion have the Title IV programs served a valuable purpose in the delivery of educational services to the Bureau's service population?

Answer: The Title IV program has provided a valuable service. However, as identified previously, the service population of the Bureau is much more narrowly defined than that of the Title IV program. Consequently, the delivery of services by the Title IV - IEA program is more far reaching than the Bureau's service population.

Question: Part C of Title IV provides adult education and vocational education to a significant number of persons who are members of federally recognized tribes and Alaska Natives living off reservations. If these programs are terminated and the Indian person who would have been served by the Title IV program is unable to find employment, is it not likely that he will simply return to his reservation, thus increasing the cost to the BIA?

Answer: If an individual is relying solely on Title IV for employment assistance and Title IV is terminated it is likely he will return to his reservation if an equivalent program exists on the reservation. However, if no program currently exists on his reservation because his tribe has decided it is not a priority program, it is unlikely that the individual would return.

Question: Title IV, Part B, provides in excess of $1.5 million to Indian students for higher education scholarships. If that program were terminated would the BIA seek supplementary funds to provide similar scholarships for those persons who are members of federally recognized tribes or Alaska Natives?

Answer: Supplementary funds will not be requested by the Bureau since persons who are members of federally recognized tribes or Alaska Natives currently receiving Title IV, Part B higher education scholarships may apply to their respective tribe, Agency, or Area higher education grant program office for a Bureau grant. However, they must meet all Bureau eligibility requirements for a Bureau grant.

These requirements are: (1) are an Indian from a federally recognized tribe, Eskimo, or Aleut, whose blood quantum is one-fourth degree or more; (2) are admitted for enrollment in an accredited college or university program leading primarily to a baccalaureate degree; and (3) have financial need. Law students and graduate students can apply to the Special Scholarship Programs that the Bureau has under contract with the American Indian Law Program and American Indian Scholarship, Inc.

Question: The FY 1983 Appropriations set aside $800,000 in grant funds for graduate scholarships from local/agency priority funds. These specially designated funds were combined with the Special Higher Education Programs. What was the rationale behind this move?

Answer: The rationale behind the move includes the following: 1) this program should be based upon tribal needs and decisions rather than on a determination at the national level; 2) under the Indian priority system, tribes are funding graduate students in excess of $800,000, thus there is no need to set aside a given amount since this amount is determined in the local needs; 3) there was no requirement that this be a permanent set aside to continue into future years.

Question: Has there been a change in circumstance that would justify your FY 1984 proposal to return these funds to the local tribe/agency priority funds? You indicate that a task force has been formed which will not complete its report on recommendations for the future of SIPI until March 31, 1984. SIPI is "displayed" in the Employment Assistance component of the Economic Development and Employment Programs under the category of Special Adult Vocational Training (AVT). However, the amount of funds allocated for this activity is $1.3 million, a reduction of almost a million dollars over the FY 1983 appropriation of $2.2 million. Can you explain the reason for this reduction? Should not the funding level remain at the $2.2 million until a decision is made on the future of SIPI?

Answer: The $800,000 special set aside in FY 1983 to fund graduate students was not removed from the local/agency priority funds. The total amount was allocated to the areas, agencies and tribes for distribution to graduate students. The administration of funds remains at the tribe/agency level. The reduction reflects a decrease in program supervision costs due to the anticipation of contracting out the operation of SIPI. It is currently anticipated that 450 trainees will be assisted by this program at an average cost of approximately $2,800.

Question: The Conference Report for FY 1983 Appropriations states that "The full-time equivalent student payment to tribally controlled community colleges shall be maintained at $2,812". It is our understanding that the most recent BIA allocation per full-time equivalent student payment reflects a figure of $2,500. Is this true? If so, how does the BIA propose to resolve this deficit?

Answer: The allocation to the tribally controlled community colleges (TCCC) is $2,812/FTE. In accordance with the Congressional directive, any shortfall in the TCCC program will be covered by reprogramming education administrative funds We cannot determine if reprogramming is actually necessary until all FTE are verified.

General Assistance

Question: In the category of General Assistance, I would note that the budget justification projects a very slight increase in the case load for FY 1984 -- from 63,932 persons per month to 64,969. This projection seems to be somewhat optimistic in light of the expressed concern of unemployed Indians returning to their reservations. Are you confident of these figures? Please explain.

Answer: Yes, we feel reasonably comfortable with the estimated 1,037 increase in caseload. This is based on the substantial increase of 6,840 in FY 1982 over FY 1981, a period in which we believe the maximum potential caseload developed because of the reductions in other Federal programs and the economic conditions. The emergency jobs supplemental may have an offsetting effect on the general assistance requirements.

Question: I would also note that the projected unit cost per person is disturbing. The projected cost for FY 1984 is $74.23 per person per month. This is less than the cost of FY 1981 and substantially less than the FY 1982 unit cost of $79.23. The justification for this projection is a $4 million saving to be achieved by adhering to state practices of reducing general assistance to less than the needs set by state law. Could you supply this Committee with a breakdown of the anticipated savings from each state that will be served; (2) the standard of need established by the State pursuant to the Social Security Act; and (3) the actual level of payment by the State.

Answer: Below is a chart showing rateable reduction in payments. However, of special note since both this analysis and the budget justifications were prepared, the State of Arizona which accounts for an estimate $2.5 million of the savings has increased its payment level to 100 percent of need, therefore offsetting the estimated savings. When the Congress imposed this requirement on the Bureau (Conference Committee Report No. 97-315) another variable was created in the estimating of General Assistance funding. These rateable reductions in state payment levels are difficult to predict.

General Assistance - Rateable Reduction in Payments

Six of the fifteen states where BIA provides general assistance impose a rateable reduction on their public assistance (AFDC) standard. They are (for a family of three):

STATE	AFDC Need Standard	Actual Benefit Level	(% of Need)
Arizona	$233.00	$202.00	(86.7%)
Idaho	570.00	313.50	(55%)
Maine	415.00	310.00	(72.5%)
Mississippi	220.00	96.00	(43.6%)
Nevada	285.00	241.00	(84.6%)
North Carolina	384.00	192.00	(50%)

Based upon the above standards, BIA could have saved an estimated $3,484,895 in FY 1981 general assistance expenditures had it imposed similar rateable reductions instead of paying a full standard of assistance in each of these states. This is summarized as follows:

FY 1981

STATE	BIA ACTUAL COST	Est. Cost (Rateable Reductions)	Estimated Savings
Arizona	$18,394,569	$15,948,091	$2,446,477
Idaho	367,436	202,090	165,346
Maine	475,179	344,505	130,674
Mississippi	953,547	415,746	537,800
Nevada	928,873	785,827	143,046
North Carolina	123,103	61,551	61,552
	$21,242,707	$17,757,810	$3,484,895 *

* 6.59% of total General Assistance expenditure of $52,886,519.

Please note that in imposing rateable reductions, the states have a variety of options which they may exercise at any given time. This in turn makes it difficult to predict what savings BIA might incur. For instance, many states apply rateable reductions more heavily during the later part of a given fiscal year in order to control expenditures. The first part of the fiscal year, they may pay full or near full standard. Also, the Omnibus Budget Reconciliation Act of 1981 reduced the Federal matching provision for state AFDC expenditures made after September 30, 1981. The basic purpose was to reduce benefits and federal expenditures. However, several states already had their state appropriations for their share in costs for the AFDC program, and found a "loophole" in the Act's provisions whereby they could increase their state standards utilizing the anticipated federal savings to cover the additional costs under the percentage matching formula without incurring any increased state spending. Therefore, a number of states have increased their state standards the past few months and employed the percentage rateable reduction method to the actual payment level. However, if Congress closes this "loophole" and state legislatures consider future state appropriations to cover state shares, we expect to see more full standard of need payment level.

Before implementing a rateable reduction as per state program, the BIA is required to publish this as a proposed action in the Federal Register and subsequently to publish it as final rulemaking. The proposed regulations have been prepared and are currently going through the review process. Assuming there will be no delays in this schedule, publication will occur in October 1983.

Law Enforcement

Question: With respect to the BIA law enforcement program, the FY 1984 budget request is for $34.5 million -- a decrease of $1.1 million from FY 1983. I note that in FY 1983 the tribes themselves expended approximately $8.6 million of their own funds on law enforcement which clearly reflects a high tribal priority on this program. Since FY 1980 the investigative case load has increased dramatically and it is estimated that the number of investigations in FY 1984 will increase by 13,000 -- up from 261,000 investigations of complaints in FY 1983 to 274,000 in FY 1984.

Answer: The individual Indian tribes have consistently spent approximately the same amount of tribal funds during the past two or three years. During FY '82 and FY '83, the amount approximated is $8.6 million. Not all of the tribes placed a high tribal priority on law enforcement in the budget making process. Consequently, there was a net reduction in the law enforcement program

Based on previous years, crime rate growth is anticipated and crime investigations will continue to increase on reservations. Part of the increase in the number of investigations is brought about by the issuance of guidelines by the various offices of the United States Attorneys instructing reservation law enforcement programs to fully investigate and make direct referral to their offices of violations of Federal laws. Reservation law enforcement programs must cope with the increase through better training, closer cooperation and coordination with other Federal and State law enforcement units and more efficient use of technology that is becoming available to reservation law enforcement programs.

Question: The back-up data to explain how the proposed decrease in funding will be absorbed indicates that there will be delays in replacement of equipment and elimination of some non-enforcement services. Can you provide this committee with an analysis of the condition of current equipment and the replacements that were projected but will be deferred? What "nonenforcement" activities do you anticipate will be reduced or eliminated?

Answer: The Bureau/Tribal law enforcement vehicle fleet was affected by the recent reductions. The combined Bureau/Tribal vehicle fleet consists of 797 vehicles. The vehicles average approximately 24,000 miles per year and they are driven under conditions that cause severe strain and damage to the fleet. Replacement and new vehicles cost approximately $9,000 each. Radio and related police equipment cost an additional $4,000. At the present, it is estimated that about 23% of the fleet must be replaced and while improved maintenance procedures and additional vehicles are being made available to operating programs, we plan to purchase and replace 180 this current fiscal year.

Reservation law enforcement programs do not plan to diminish non-enforcement duties where the reduction would be harmful to the person or property of individuals. However, a great number of services, such as delivery of messages and property will be curtailed, non-emergency transportation of individuals will be curtailed as will be the responding to calls for repossessions, garnishments, and other civil actions.

Question: The budget justification also indicates a reduction in funding for travel and transportation of a little over $300,000. Will these reductions affect the police patrol activity in the reservations? In the past patrolling activity has been limited whenever the Department orders a freeze on travel. Is police patrol activity now exempt from such freeze orders, and if no shouldn't it be?

Answer: The reduction in funding for travel and transportation represents $109,000 for travel and transportation of persons and $230,000 for transportation of things. It is primarily the result of the decrease in law enforcement funding established under the Indian priority system at the tribe/agency level (-$895,000). The reduction of $109,000 could affect patrol activity on the reservations; however, it would primarily affect travel off the reservation which is generated for purposes other than patrol activity. The $230,000 reduction in transportation of things would not affect patrol activity on the reservations. Police patrol activity is not exempt from any freeze order. However, when a freeze order is in effect and it has or will adversely affect patrol activity, an administrative exemption under the provisions of protecting life and public safety is in order. Such an exemption has been requested and granted in the past.

Blackfeet Water Rights

Question: Has the BIA entered into contract with CH2m Hill., Inc. to do a soil survey and analysis of the potential irrigability of agricultural lands on the Blackfeet Reservation?

Answer: Yes, for development of a land or soil classification of the Blackfeet Reservation.

Question: Was this same study previously funded by the BIA and completed by Morrison and Maierle in the 1970's?

Answer: No, the Morrison & Maierle study was a classification of irrigable soils on the reservation, based only upon the suitability of the soils for irrigation. The CH2M Hill contract is to classify the soils, utilizing standards that include economic and non-soil factors in a feasibility classification.

Question: How much is the CH2m Hill contract?

Answer: It is a cost reimbursable contract for $1,125,389. The contract is multi-year, with $500,000 obligated to date.

Question: Why do you need a duplicate study?

Answer: The additional (not duplicate) study was requested by the Department of Justice for preparation and presentation of the Blackfeet water claims in litigation.

Question: Is there a difference between the two studies?

Answer: Yes. As stated above, the Morrison & Maierle study pertains only to characteristics of the soil for irrigation. The CH2M Hill contract will be a feasibility classification, applying economic and other factors to soils data.

Question: Have you tried to obtain the Morrison and Maierle study by discovery procedures or through the court system?

Answer: No, but exchanges of correspondence have been had with the firm, seeking the field and other supporting data for their June 1979 report.

Resources Development

Question: Does the BIA have money set aside for Tribes to use for their resource development?

Answer: No, there is no funding specifically "set aside" for this purpose. However, within each program there may be funds available for resource development, such as in the Tribe/Agency part of the budget, which they plan themselves; or within the Field Operations part of the budget where funds such as the add-ons for forestry, and minerals inventories, boundary surveys, fish and wildlife management, and others are managed on a Bureau-wide basis. Also, in the event there are lapse funds because of vacancies, or projects and contracts that may not have come to fruition, those funds might be used to meet resource development requests from tribes. In FY 1983 a new economic development initiative was in the Bureau's budget, with $5 million appropriated. These funds can be used to finance resource development projects, and this is the only funding which has been specifically set aside for economic (resource) development.

Question: Did the Blackfeet Tribe apply for resource development funding in 1981 and 1982?

Answer: The tribe has submitted various proposals in the past including 1981 and 1982

Question: Were they funded?

Answer: From records available we have ascertained that they requested and were funded for: Forest development in 1981 and 1982 ($60,000); a minerals computerization program in 1981 ($54,000); Appraisals in 1981 and 1982 ($36,000); a water planning office in 1982 ($165,000); water inventories and aerial photos ($21,000) in 1983. They also applied for about $500,000 for implementation of water codes; for which they were not funded.

Question: Was the resource development money depleted by the Tribes?

Answer: To our knowledge, all amounts provided them were expended.

Question: Was any of this money returned to the U.S. Treasury?

Answer: No

Question: Are there any tribes in Montana being funded for resource development?

Answer: To date we have had one application from the Crow Tribe for Economic Development Initiative funding, which has been returned for required data; and we understand that the Fort Peck Tribe may also be submitting a request.

Question: Is the basis for funding of some tribes because they are negotiating their water rights with the State?

Answer: Negotiation or litigation of water rights is not a criteria for responding to tribes' requests for resource development funding.

SUBCOMMITTEE RECESS

Senator McCLURE. With that the subcommittee will stand in recess until 2 p.m. on Thursday, April 14, at which time we will review the budget estimates for the Federal Inspector for the Alaska Gas Pipeline and the National Endowment for the Humanities.

[Whereupon, at 3:42 p.m., Wednesday, April 13, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 14.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 14, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:40 p.m., in room SD-192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

NATIONAL ENDOWMENT FOR THE HUMANITIES

STATEMENT OF WILLIAM J. BENNETT, CHAIRMAN, NATIONAL ENDOWMENT FOR THE HUMANITIES, AND CHAIRMAN, NATIONAL COUNCIL ON THE HUMANITIES

ACCOMPANIED BY:
GEOFFREY MARSHALL, DEPUTY CHAIRMAN
JOHN AGRESTO, ASSISTANT CHAIRMAN
ARMEN TASHDINIAN, DIRECTOR, OFFICE OF PLANNING AND POLICY ASSESSMENT
WENDELL WILLKIE, GENERAL COUNSEL
JASON HALL, CONGRESSIONAL LIAISON OFFICER
VICTOR LOUGHNAN, DIRECTOR, OFFICE OF ADMINISTRATION

PREPARED STATEMENT

Senator MCCLURE. The committee will come to order.

Let me start by apologizing for the scheduling of business on the floor of the Senate that kept us from keeping our commitment on time.

This is the time scheduled to review the fiscal year 1984 budget requests for the National Endowment for the Humanities and for the Office of Federal Inspector. We will begin with NEH.

The fiscal year 1984 budget for the National Endowment totals $112,200,000, a decrease of $17,410,000 below fiscal year 1983 appropriations to date.

Also pending is a pay supplemental in the amount of $187,000.

Mr. Bennett, we again welcome you before the committee. Your opening statement will be included in the record in full at this point.

[The statement follows:]

STATEMENT OF WILLIAM J. BENNETT

I am pleased to appear before you again on behalf of the National Endowment for the Humanities. I welcome this opportunity to present some of the Endowment's recent efforts to advance scholarship, education, and public understanding and appreciation of the humanities in America.

Since coming to the Endowment in late 1981, I have joined with staff, the National Council on the Humanities, and many others outside the agency in intensive and wide-ranging discussions about the role and nature of NEH. We have thought long and hard about how we can make the Endowment a model Federal agency and, more specifically, about how the Endowment can best use the funds under its stewardship. The Endowment is systematically sharpening the focus of its programmatic objectives, while we are continuing to make progress in improving the efficiency of management.

It is my firm conviction that the Endowment most responsibly discharges its public trust when it challenges scholars, teachers, editors, and those in humanities programming for general audiences to produce the very highest quality of work. The American taxpayers, the students in our schools and colleges, professional scholars, and citizens attending a museum exhibition are not well-served by the second-rate. It is this single belief, more than any other, which dictates the work of the Endowment. It is in this context that it is not only possible, but inevitable, that funding for the Endowment is a secondary consideration: quality should be the foremost factor in determining our budget. It is the search for excellence and the commitment to encourage it in others that should characterize our efforts. The projects which the Endowment supports we trust should be models worthy of emulation by all. The very fact that the Endowment makes a grant should mean that peer experts judge a project as being of high quality and indeed worthy of public support.

In implementing this philosophy we have made some important changes in the Division of Education Programs. We have moved away from curriculum development as the only or best means of shoring up humanities study and have adopted instead a policy of strengthening introductory and core courses in the humanities. This involves an increased emphasis on undergraduate education; a more specific focus on the central humanities disciplines -- history, philosophy, literature, and languages; and more emphasis on and recognition of the value of continued study and mastery of disciplines by secondary school teachers. As we have made these revisions, we have also widened the means which can be used to carry them out.

In the Division of Fellowships and Seminars we have inaugurated a program of Summer Seminars for Secondary School Teachers which offers teachers an opportunity to engage in an intensive study of great texts in the humanities under the guidance of noted scholars in order to rekindle teachers' interest and enable them to give greater breadth, depth, and vitality to the subjects they teach to the young public of America. We hope to have at least 225 teachers in this program in the summer of 1983, and, in response to the huge interest the field has expressed, we want to increase that number in 1984.

In the area of General Programs, which comprises most of what were formerly the Divisions of Public and Special Programs, the Endowment has launched a special program initiative in media for children, the purpose of which is to aid in the improvement of radio and television programming in the humanities directed at children. This initiative is expected to increase the number of significant educational television and radio programs for young people in such areas as history, languages, and literature.

We have also begun an initiative to mark the observance of the 200th anniversary of the Constitution of the United States. In fiscal 1982, we awarded a number of small planning grants to

institutions to help them lay the groundwork for future programs directed toward general audiences. In 1983 and 1984 we will make more of these planning awards and we expect to fund a number of major grants to implement the best of these projects. Although centered in the Division of General Programs, the Bicentennial Initiative will encourage all the divisions of the Endowment to join in this effort.

The National Council on the Humanities has recently endorsed a staff proposal for an agency-wide special initiative for historically Black colleges and universities in fiscal years 1983 and 1984. While all NEH divisions will continue to aid projects falling within established programs, special activities undertaken for this initiative will involve: appointment of an Endowment liaison officer for historically Black colleges and universities, in order to provide a steady flow of information to these institutions about all areas of NEH programming; special summer programs on the campuses of historically Black colleges and universites for persons of high school age; and a program for graduate study for faculty members at these institutions.

One of the major programming objectives for the Endowment in fiscal 1983 has been to restore the momentum of the Challenge Grants program and thus to stimulate additional non-Federal support for the humanities. The fiscal 1982 appropriation of approximately $20 million was sufficient to meet all outstanding commitments in the Challenge Grant program, but no new grants were made. However, after all fiscal 1983 commitments to the 80 institutions with previously approved Challenge plans had been honored in full, we resumed making new grants in this important program. Roughly $10 million in fiscal 1983 is supporting approximately 85 new grants. The request for 1984 will permit us to maintain this momentum. For FY 1984 the Challenge competition will also be opened to allow some second grants to previous grantees, a step we are taking after consultation with the National Council. The Endowment is also inviting proposals linking project grants in Education with Challenge Grants.

The Endowment's proposed 1984 budget was formulated after months of deliberation, beginning in May 1982 with careful and detailed consideration by agency staff and management of Endowment programs and the interests and concerns of the humanities field, informed by numerous discussions with scholars and other representatives of the humanities and humanities organizations and institutions. These were followed by consultation with the National Council on the Humanities and culminated in hearings before the Office of Management and Budget.

A major goal of the Administration, within which the NEH budget was developed, is to reduce Federal expenditures wherever possible. As part of that effort, the Endowment is seeking a total of $112.2 million in fiscal 1984, a reduction of 13.7 percent below the fiscal 1983 appropriation. Of this sum, a substantial amount -- more than $27 million -- would be specifically for stimulation of support from the non-Federal sector. This sum represents a higher share of all program funds than was allocated in the fiscal 1983 appropriation, and it reflects the Endowment's determination to make every effort to leverage increasing amounts of non-Federal support for the humanities.

As a result of this careful examination of our programs and priorities in the humanities, we firmly believe that we have allocated our requested funding for 1984 in the most rational manner so as to achieve the maximum effect with our funds. We are proposing to continue the efforts we have begun to aid in improving teaching in the humanities, especially in the Nation's secondary schools, in reemphasizing substance in the curriculum at all educational levels, in bringing high quality humanities programming to broad general audiences, and in maintaining our efforts to stimulate private-sector support for the humanities. A summary of our FY 1984 appropriation request and specific program plans is attached to this statement for the information of the Subcommittee.

We have allocated definite program funds in roughly equivalent portions among our major programming areas -- Research, Fellowships and Seminars, Education, General, and State Programs. This relects our view that these major areas are of essentially equal significance in carrying out the Endowment's legislated mandate to advance education, research, and public understanding in the humanities throughout the United States.

We would also note, however, that it is impossible to project with great accuracy the number of applications that will be submitted 2 years from now and which of those will ultimately be determined to be worthy of support. The present reprogramming guidelines are so strict that in some program areas we have had to predict in January to within 1.5 percent the exact amount of funding needed as of September 1984. (I might add that our problems are amplified by the fact that in many of our programs we have adjusted our grant-making schedules for the convenience of our grantees, and thus we cannot know in many cases until almost the end of the fiscal year whether there will be funding imbalances in any given area.)

The budget allocations which we are proposing reflect our best judgment at this point about these intangibles. But because there are so many intangibles it is essential that we have, and we respectfully request from this Subcommittee, the flexibility to shift some funds between one funding area or program and another in response to the flow of applications and the quality of those applications as determined by the reviewers, panelists, and Council members. Allocations at the divisional level provide us this modicum of flexibility.

Finally, I would like to discuss briefly some of our intentions for the future. I expect to ask the staff and the National Council on the Humanities, particularly the appropriate Council Committees, for advice on how each or our divisions might better be structured to fulfill the Endowment's Congressional mandate. We have begun that process with the Division of Education Programs, where we now have the revised Divisional structure, which I have mentioned above, and new application guidelines. We are continuing the reexamination process with the Divsion of General Programs.

These reexaminations have proceeded thoughtfully and with broad consultation. For example, a special meeting of the National Council's General Programs Committee, which took place in December 1982, to discuss the Division's structure, benefited from the advice we have sought and will continue to seek from traditional applicants to the Division such as museums and media professionals. We have proceeded carefully, continuing our further deliberation, so that all comments will get a full hearing. This will continue to be my intention as we consider other divisions.

I would be happy now to respond to your questions.

Summary of Requested Appropriations

I. The Budget for 1984: Scope and Context

The following pages summarize programs of the National Endowment for the Humanities, for which the Congress has been asked to make appropriations for Fiscal Year 1984.

The NEH appropriations request for Fiscal 1984 proposes a total of $112.2 million in Federal funds:

-- $72.8 million in Definite (general program) appropriations;

-- $10.6 million in Treasury Funds to match private gifts;

-- $16.5 million for Challenge Grants; and

-- $12.3 million for Administrative expenses.

The proposed funding levels will enable NEH to provide leadership in a wide variety of areas and activities in the humanities. The Endowment is committed to encouraging high levels of private support for humanities activities and to increasing, wherever possible, the roles of corporations, foundations, other non-Federal organizations, and individual citizens. Consequently, matching funds will constitute over 27 percent ($27.1 million) of the agency's program budget in 1984.

At the same time, the Endowment believes that it is essential to support a diversity of projects, as well as to foster excellence and quality in humanities activities. Thus, the Endowment seeks for FY 1984 a total of $72.8 million in Definite program funds to help support the major research, educational, and general public activities which are central to the humanities in this country.

II. Program Objectives with Examples

The funding sought for FY 1984 will aid a wide range of humanities activities carried out by individual scholars, teams of researchers, scholarly societies, educational institutions, museums, libraries, public television and radio stations, and other cultural and civic organizations. In providing support for these activities, the Endowment seeks to promote progress within those branches of learning and understanding collectively called the humanities. In all program areas, support will be provided to projects that are exemplary and, wherever appropriate, to projects that are replicable.

Examples of the Endowment's work in 1982-1983 in support of these objectives include the following:

-- In FY 1982-83, 125 awards are helping to strengthen the teaching of the humanities in elementary and secondary schools by developing exemplary curricula, improving the competence of teachers, and developing model programs for dissemination to other schools. These projects will reach almost 265,000 students in over 1,000 schools nationwide.

-- In 1982 humanities programs in higher education were strengthened by over 200 grants to individual institutions and regional and national institutions to support curricular programs in the humanities, the development of outstanding teaching materials, and the enhancement of faculty knowledge. Approximately 85,000 college students will benefit.

-- More than 1,030 scholars have received fellowships or summer stipends in FY 1982-1983 to study important problems in the humanities. These awards are supporting work by both senior scholars and scholars at early stages in their careers, as well as providing research and study opportunities to teachers from undergraduate institutions without sophisticated research resources.

-- Nearly 700 college teachers from two-year and small four-year colleges received awards to study with distinguished scholars at major universities for a two-month period during the summer of 1982. Their study of such topics as "Society and the Literary Imagination," "Africa and African States in the Modern World," and "Freedom and the Rule of Law: The English Foundations, 1300-1700" will enable them

to bring fresh insights to their more than 110,000 students. About 1,000 college faculty members will participate in the summer of 1983. Also in the summer of 1983, the first seminars in the Endowment's new Summer Seminars for Secondary School Teachers Program will be held enabling 225 teachers to study with major scholars in order to enhance their knowledge of the humanities.

-- Awards were made to approximately 1,800 scholars in FY 1982 to conduct collaborative, long-range research and to prepare reference works on the humanities. For many of these projects, NEH support constitutes the only major funding source. These projects include the creation of dictionaries essential for advanced scholarly work (such as the Dictionary of the Old Spanish Language), editions of important historical documents and the works and papers of major American and other world figures (such as the papers of General George C. Marshall and an authoritative edition of Nathaniel Hawthorne's English Notebooks), as well as basic research in the humanities (such as a study and interpretation of Venetian sculpture of the early Renaissance), and archaeological projects (such as an excavation of a 17th-century Acadian French military community situated at the mouth of the Penobscot River in Maine).

-- In FY 1982 and 1983, approximately 150 grants will support efforts by the Nation's research libraries and archives to organize and make accessible humanities research documents and to retard the deterioration of important humanities collections. A recent grant to the University of Hawaii at Manoa, for example, is producing a comprehensive listing of research resources at American repositories pertaining to the history and culture of Asia and Oceania and the area's relations with the United States. Another grant has enabled the Northeast Document Conservation Center to begin a series of examinations of repositories in the Northeast to assess their needs in preserving vital research resources that are in danger of disintegration.

-- The Endowment awarded 18 grants in FY 1982 (jointly funded by the National Science Foundation) bringing the perspective of the humanities to bear on developments in science and technology.

-- NEH provided partial funding for a two-hour documentary film on the life and work of the American writer Carl Sandburg. The National Radio Theatre of Chicago used funds from NEH to produce eight one-hour dramatizations of Homer's epic poem, "The Odyssey," and accompanying material explaining various aspects of Homeric social and cultural life.

-- In 1982, the Endowment supported a major collection-sharing exhibit at the Science Museum of Minnesota entitled "Town and Temples: The Mississippian Lifeway in Eastern North America." The Museum used materials from the Harvard University Peabody Museum's vast archaeological and ethnographic holdings (under a collection-sharing program supported by NEH) to launch an exhibition interpreting prehistoric Mississippian culture which flourished in mid-America between 800 A.D. and the 17th century. The exhibition was visited by over 277,000 people. This was one of more than 102 interpretive projects in museums and historical organizations funded in FY 1982 that will ultimately be seen by approximately 16 million people.

-- Awards for NEH Youth Projects and Youth Grants will reach approximately 200,000 youths in FY 1982 and again in FY 1983. In addition, NEH began in FY 1982 an initiative to support radio, television, and film projects directed toward children and young people. Another round of awards will be made in 1983.

-- Awards to humanities councils in the states for regranting to support local humanities projects reached millions of Americans in FY 1982. In 1983, new emphasis will be placed on activities central to the humanities and on improving the quality of projects.

-- In response to a special solicitation of the Planning and Assessment Studies Program in 1982, a number of new studies have been launched to analyze the human, material, and financial conditions of the humanities.

-- Challenge Grants stimulated more than $62 million in new non-Federal gifts to humanities institutions in FY 1982. A total of approximately $437 million in philanthropic support has been raised as a result of the program since FY 1977.

-- In addition, matching offers on behalf of specific projects helped stimulate a total of over $14 million in non-Federal contributions to grant recipients in FY 1982. A minimum of $11 million should be contributed in FY 1983.

III. The Endowment in 1984

Highlights of the FY 1984 budget include the following:

-- In Education Programs, the revisions made in programs in FY 1982-83 will be solidified, enabling the Endowment to exercise a leadership role in improving humanities education at all levels. Emphasis will be placed on intellectual rigor, strengthening humanities education, and reaffirming the place of the humanities as basic educational disciplines.

-- In Fellowships and Seminars, about 115 Summer Seminars for Teachers would be supported. At least 40 of these would be Seminars for Secondary School Teachers, which have generated an extraordinary level of interest among teachers nationwide; 600 secondary teachers would be enabled to undertake serious study with recognized experts in the humanities. The Fellowships for Independent Study and Research, Fellowships for College Teachers, and Summer Stipends programs would provide funding for the highest-rated applications in order to stimulate the most creative and substantive scholarship in the humanities.

-- In the area of Research Programs, Regional Studies would be merged with Basic Research, where applications would compete for support with others of a similar nature. A new program of small grants called Travel to Collections would be instituted in response to requests from the field, enabling about 400 scholars to travel to the major humanities resources for advanced research.

-- In General Programs, Humanities Projects in Libraries would be merged with Program Development activities pending a review of its mission and objectives. Library-related applications would continue to be encouraged, but would compete with a broad range of other applications. A special initiative begun in 1982 to stimulate humanities projects relating to the Bicentennial of the U.S. Constitution would be continued and possibly expanded, depending on interest in the field.

-- Funding for State Programs would total $15.99 million in Definite program funds. NEH will continue to urge State councils to support the highest quality projects and to expand efforts to raise funds in the private sector.

1. EDUCATION PROGRAMS

Humanities Instruction in Elementary and Secondary Schools ($4,355,000). Support will be provided for the development of exemplary humanities curriculum materials, humanities institutes for teachers, and other activities expressly designed to improve the teaching of the humanities. About 55 grants benefiting 2,400 teachers and 125,000 students will be awarded.

Exemplary Projects, Nontraditional Programs, and Teaching Materials ($4,355,000). Grants will be available to improve humanities programs throughout higher education by supporting humanities institutes, development of model curricula, collaborative projects between cultural institutions and higher education institutions, and translation of recent scholarship into teaching materials. About 40 grants will be made; approximately 1,300 teachers and between 19,000 and 26,000 students will benefit from these projects. (This program replaces the Higher Education/Regional and National program.)

Central Disciplines in Undergraduate Education ($4,290,000). About 55 awards will be made to colleges and universities to improve their introductory courses and to develop stronger and more coherent undergraduate humanities programs. Approximately 475 teachers and 95,000 students will directly benefit from these grants. (This new program replaces the Consultant, Pilot, and Implementation Grants programs.)

2. FELLOWSHIPS AND SEMINARS

NEH Fellowships ($5,280,000). Fellowships providing up to a year's full-time study will be available for scholars working on independent research projects in the humanities and college teachers engaged in undergraduate teaching who wish to enhance their abilities as interpreters of the humanities. About 230-240 individuals will be aided in 1984.

Summer Stipends ($600,000). Stipends will enable 200 scholars to spend their summers conducting independent research projects which give promise of making significant contributions to humanities scholarship.

Summer Seminars for College Teachers ($4,370,000). Between 105 and 110 seminars covering all fields of the humanities will be offered in the summer of 1984 enabling about 1,300 college teachers from smaller higher education institutions to undertake an organized program of study in their disciplines, supervised by distinguished university scholars. The more than 200,000 undergraduate students reached by these teachers are the indirect beneficaries of the program.

Summer Seminars for Secondary School Teachers ($2,250,000). About 40 seminars will enable 600 secondary school teachers to undertake serious study with recognized scholars in the humanities. The expertise and renewed intellectual vitality gained by seminar participants will directly benefit about 90,000 students.

Centers for Advanced Study ($500,000). Support will be provided for a number of advanced study centers offering residential fellowships to humanities scholars who wish to engage in research in the humanities and to confer with colleagues from other disciplines.

3. RESEARCH PROGRAMS

General Research Program ($5,850,000). Support will be provided for American scholars seeking to advance knowledge in all

fields of the humanities, to develop new research methodology and technology, and to carry on significant projects in archaeology. To this end, about 110 grants involving over 4,000 scholars will be awarded for basic research in the humanities (including U.S. regional studies), intercultural research, studies of science and technology in relation to the humanities, and conferences for scholars in all humanities disciplines. In addition, about 400 small grants will be made to research scholars through a new program -- Travel to Collections -- to help defray the costs of traveling to the Nation's major research facilities to conduct important research in the humanities.

Research Materials ($4,750,000). The Endowment will support development of essential reference works -- such as bibliographies, catalogues, encyclopedias, dictionaries, authoritative editions of the work of American and world statesmen, writers, and philosophers, as well as translations of important foreign works into English.

Research Resources ($4,200,000). Support will be available to large research libraries, local historical societies, specialized archives, libraries, and museums for organizing and cataloguing basic humanities research resources. Staff training and planning projects will also be supported to help retard the deterioration of important documents and other materials necessary for research and education in the humanities. Aid will also be given to groups in a small number of States seeking to survey and develop preservation programs for their newspaper collections. A number of small awards will be made to scholarly presses to help defray the costs of publishing the results of recent research in the humanities.

4. GENERAL PROGRAMS

Humanities Projects in Media ($7,100,000). Support will be provided for the development, production, and distribution of high quality public television and radio programs in the humanities, including local, regional, and national production grants. In total, support will be provided for 55 program hours, reaching over 20 million people.

Humanities Projects in Museums and Historical Organizations ($5,000,000). The request will support funding for improved interpretation of the permanent collections of museums and of the significance of historic sites; for interpretive traveling exhibitions, audio-visual displays, and seminar or lecture programs; and for inter-museum sharing of humanities collection resources. Approximately 105 awards will be made, which will reach a projected cumulative audience of 16 million people.

Youth Programs ($1,000,000). Support will be provided for "Youth Grants," which support individual youth-initiated projects in the humanities, and "NEH Youth Projects," which work through national youth groups, museums, libraries, and other institutions to test ways of involving young people in opportunities to collaborate in humanities work outside of school. Approximately 550,000 young people will be involved.

Program Development ($2,250,000). Support will be provided for developmental, innovative, or experimental humanities activities which hold the promise of reaching large audiences and for projects which fall outside other NEH programs. A special priority in FY 1984 will be projects relating to the Bicentennial of the Constitution of the United States. This program will also support a number of libraries projects of the type previously funded through the Humanities Projects in Libraries Program.

5. STATE PROGRAMS

The budget provides $15,990,000 in support of humanities programs based in all 50 states, Puerto Rico, the District of Columbia, and the territories. The councils (whose membership includes leading citizens from non-humanities areas as well as scholars and teachers in the humanities) will in turn award the funds -- which must be matched -- to aid almost 3,000 local humanities projects reaching and involving 19 million Americans.

6. PLANNING AND ASSESSMENT STUDIES

The budget contains $700,000 to support studies which assess national needs and resources in the humanities and design and test new analytical tools for evaluating the state of humanities activities in the United States. Up to 18 projects will be aided, with priority given to studies illuminating the pattern of financial support for the humanities.

7. CHALLENGE GRANTS

The proposed budget seeks $16,500,000 for the Challenge Grants Program. Support will be provided for 85 continuing incentive grants and for up to 65 new grants to stimulate philanthropic support (on a $3 non-Federal to $1 Federal basis) of humanities institutions.

8. TREASURY FUNDS

Matching grants will be offered to stimulate private funds (on a $1 for $1 basis) on behalf of a wide range of humanities projects recommended by the National Council on the Humanities; the budget contains $10,570,000 for this purpose.

NATIONAL ENDOWMENT FOR THE HUMANITIES

Summary -- All Divisions
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
Education	$12,825	$14,301	$13,000
Fellowships	15,050	13,405	13,000
Research	20,135	16,555	14,800
General	16,057	25,112	15,350
State	20,329	20,329	15,990
P&A Studies	845	730	700
Total Definite	85,242 1/	90,432	72,840
Treasury	8,064	11,064	10,570
Challenge	20,736	16,864	16,500
Total Program	114,042	118,360	99,910
Administration	10,494	11,887 2/	12,290
Grand Total	$124,536	$130,247	$112,200

1/ Excludes $5.2 million reappropriated to Challenge Grants in FY 1983 from FY 1982 Definite funds for special initiative for research libraries.

2/ Includes $187 thousand requested as part of government-wide supplemental appropriation.

NOTE: Detail may not add to total due to rounding.

Education Programs
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
Elementary and secondary	$4,762	$4,790	$4,355
Projects, non-traditional, and materials (Higher ed./regional and national)	3,430	4,790	4,355
Central disciplines (Higher education/ individual institutions)	4,633	4,721	4,290
(Consultants)	(384)	1/	1/
(Pilot)	(2,140)	1/	1/
(Implementation)	(2,109)	1/	1/
Total Definite	$12,825	$14,301	$13,000

1/ Included in Centeral Disciplines.

Fellowships and Seminars
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
NEH Fellowships	$7,462	$5,350	$5,280
Independent	(2,394)	(2,675)	(2,640)
College teachers	(2,892)	(2,675)	(2,640)
Regrant programs	(2,176)	(--)	(--)
Summer stipends	650	650	600
Summer seminars for teachers	5,736	6,905	6,620
--College teachers	(4,952)	(4,655)	(4,370)
--Secondary school teachers	(784)	(2,250)	(2,250)
Centers	708	500	500
Professions	494	--	--
Total Definite	$ 15,050	$13,405	$13,000

Research Programs
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
General			
Basic	$3,012	$2,955	$2,550
Regional	1,256	750	2/
Intercultural	2,613	2,200	2,300
Humanities, science, and technology	807	850	500
Conferences	336	400	300
Travel to collections	--	--	200
Materials			
Tools	3,641	2,400	2,500
Editions	3,489	1,900	1,500
Translations	1,010	1,000	750
Resources			
Organization and improvement	3,137	3,300	3,400
Conservation and preservation	433	400	400
Publications	400	400	400
Total Definite	$ 20,135 1/	$16,555	$14,800

1/ Excludes $5.2 million reappropriated in FY 1983 to Challenge Grants from FY 1982 definite funds for special initiative for independent research libraries.

2/ Supported in Basic Research.

General Programs
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
Media	$5,075	$8,447	$7,100
Museums	4,182	6,912	5,000
Special Projects	6,800	9,753	3,250
Youth programs	(2,851)	(1,000)	(1,000)
Program development	(2,129)	(6,103)	(2,250)
--Libraries	(1,400)	(2,650)	(1/)
--Special projects	(420)	(--)	(--)
Total Definite	$16,057	$25,112	$15,350

1/ Included in Program Development.

State Programs, P&A Studies, and Challenge Grants
($000)

Program	FY 1982 Actual	FY 1983 Approp.	FY 1984 Request
State programs			
Total Definite	$20,329	$20,329	$15,990
P&A Studies -			
Total Definite	$845	$730	$700
Challenge Grants	$20,736	$16,864	$16,500

INTRODUCTION OF ASSOCIATES

Senator McCLURE. If you would introduce your associates at the table, we will proceed directly to the questions.

Dr. BENNETT. I have provided a list of those accompanying me.

Senator McCLURE. We can just put that in the record if you would like.

Dr. BENNETT. It will be in the record. The other members of the staff are behind us.

[The information follows:]

Testifying: William J. Bennett, Chairman, National Endowment for the Humanities and Chairman, National Council on the Humanities.

Dr. Bennett is accompanied by: Geoffrey Marshall, Deputy Chairman; John Agresto, Assistant Chairman; Armen Tashdinian, Director, Office of Planning and Policy Assessment; Wendell Wilkie, General Counsel; Jason Hall, Congressional Liaison Officer; and Victor Loughnan, Director, Office of Administration.

VOLUME OF APPLICATIONS RECEIVED IN FISCAL YEAR 1983

Senator McCLURE. Last year it was necessary to reappropriate a substantial amount of money, as there had not been sufficient high quality applications submitted in certain areas. Several application deadlines have passed for the current year.

Have you any analysis as to whether the applications will coincide with the funding levels provided for fiscal year 1983?

Dr. BENNETT. Because we still have application deadlines, Senator, and some meetings of review panels and meetings of the National Council, we do not have any definitive analysis of that yet, but we are watching it and monitoring it very closely.

Senator McCLURE. Do you think it will match the appropriations?

Dr. BENNETT. I think it will be very close in most areas. It is possible we might need to move some amounts of money in some areas, but I don't anticipate anything like what we saw last year.

Senator McCLURE. How are the levels of applications running this year compared to the last 2 years?

Dr. BENNETT. It is about steady from last year, a little bit up. We had roughly 7,000 applications last year. We anticipate about the same number, perhaps a few more.

ADMINISTRATIVE FUNDS

Senator McCLURE. In fiscal 1982, the Endowment returned to the Treasury $840,000 in surplus administrative funds. In addition, equipment purchases for that year were $243,000 more than originally budgeted.

So it would appear that the appropriation for administration in fiscal year 1982 was about $1 million more than was required. The furniture and equipment purchases were one-time expenditures associated with the Endowment's move to the Old Post Office.

We were under the impression from last year's hearings that the General Service Administration was to furnish this building. Is this not the case?

Dr. BENNETT. If I may ask Mr. Loughnan to speak to that.

Mr. LOUGHNAN. That is partially correct. The General Services Administration procured the systems furniture that is used in the Old Post Office Building. That primarily consists of the work stations that the staff sit at—the desks, panels, and the cabinets, and shelving that go with the work stations.

We had to buy certain equipment, including chairs, for the work stations, and the audio-visual equipment for the media facility. In addition, we bought cabling for the computer terminals in the building and a few other items.

Senator MCCLURE. The chairs are not included?

Mr. LOUGHNAN. No, sir. GSA did not procure the chairs.

Senator MCCLURE. That is like buying a car without wheels. [Laughter.]

Have you discussed it with GSA—asked them where they sit? [Laughter.]

Mr. LOUGHNAN. No, sir, but it turns out that is their standard procurement procedure in terms of the systems configuration.

Senator MCCLURE. It is not standard in most other areas. I am somewhat puzzled by that. I think most of your employees are equipped with the necessary anatomy to occupy the chair. I would hope you have a place to put that anatomy. [Laughter.]

I think perhaps you ought to go back to GSA and ask them what their policy is.

Mr. LOUGHNAN. All right, sir.

COST OF MOVE TO THE OLD POST OFFICE

Senator MCCLURE. In the 1983 justification, a total of $140,100 was identified as cost for the move to the Old Post Office and only $11,800 of that amount was listed as equipment.

There is a significant difference between the two figures, $143,000 and $11,800. Can you explain the difference?

Mr. LOUGHNAN. Yes, sir, it is the same basic reason. We had to furnish the equipment for the media facility and buy the chairs, and then we had to supplement the cabinetry that went into the work stations because the capacity was not sufficient to take care of our needs.

Senator MCCLURE. You must have been aware of that before you made your request of last year?

Mr. LOUGHNAN. No, sir. When we originally made our request, we did not anticipate these additional requirements. At that time it was our understanding that the General Services Administration would take care of virtually all of these needs.

Senator MCCLURE. That was our understanding as well. Did you pick up any of the other moving costs identified in the 1983 budget out of the excess funds you had in fiscal 1982?

Mr. LOUGHNAN. No, sir.

NEH STAFFING LEVEL

Senator McCLURE. Congress reduced your administrative budget request for fiscal 1983 by $500,000. Even with this decrease, we note from your fiscal year 1984 submission that in the current year you are now planning to spend $1,123,000 more for permanent positions than originally budgeted and that your employment level, rather than the 206 permanent positions justified for the current year, will be 261.

Why have you found it necessary to have a staff 25 percent larger?

Mr. LOUGHNAN. We have not increased our staff. The difference here—in our 1983 submission we showed 261 staff-years—our 1984 submission also shows 261 staff-years for 1983. The difference is there is a $1.1 million increase in the full-time permanent category.

What we did was ask the Office of Management and Budget in May 1983 for authority to increase our full-time positions, but still remaining within the total of 261 staff-years.

You will note in the budget there is a $778,000 decrease in the compensation for part-time positions as an offset against the $1.1 million increase. The net difference is the cost of the two pay increases which occurred in fiscal year 1983.

Senator McCLURE. You indicate it is an increase. I could have stated it in a different way. You indicated that you were going to reduce from 261 to 206, and you have not done so.

Those were identified in the justification as full-time permanents.

Mr. LOUGHNAN. Yes, sir, but those are two different categories. The 206 are full-time permanent positions within the total ceiling of 261 authorized staff-years. In addition to the 206 full-time staff-years, we had another 55 staff-years consisting of part-time personnel.

Senator McCLURE. You are telling me there are only 206 full-time permanents?

Mr. LOUGHNAN. There were 206 at that time, before we got the authority——

Senator McCLURE. That is all you ask in your justification.

Mr. LOUGHNAN. At the time we were asking for 206, yes, sir, but then subsequent to the 1983 submission we went to the Office of Management and Budget and asked them if we could increase our full-time category and decrease our part-time category by the same number of staff-years.

The key thing here is that we were not increasing our overall staffing authorization.

Senator McCLURE. I understand that. So it is an offset between full-time and——

Mr. LOUGHNAN. Yes, sir.

Senator McCLURE. Mr. Bennett, we have no wish to deny you the funds required to run an effective organization, and we do respect the fact that you did return unspent administrative funds to the Treasury.

I never want to get myself in the position, or you in the position, where turning money back becomes a black mark used against your next budget submission. I applaud you for what you have done.

Dr. BENNETT. Thank you.

Senator MCCLURE. There are those, however, who would much rather have had that $840,000 available for grants.

Will you again take a close look at both your current budget for administration and the proposed 1984 budget to see if it is. indeed, accurate?

Dr. BENNETT. Yes, indeed.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES INITIATIVE

Senator MCCLURE. In response to a Presidential initiative, the Endowment has instituted three new programs aimed at historically black colleges—a faculty graduate study program, high school humanities institutes, and summer seminars for college teachers.

It has been stated that these programs are experimental in nature and are thus being funded from special projects rather than from the programs of the same names in the Education Division.

Why are these programs considered experimental rather than programmatic?

Dr. BENNETT. We have never done it quite this way before. Of course, we deal with all colleges and universities, or all those that wish to do business with the agency.

It is experimental in that we are targeting this project in response to the President's Executive order of September 15, 1981, and we will see how the program does and monitor the results closely.

It is, though—I want to emphasize—something that we are doing in addition to our regular programing. We want to see if this kind of target, this kind of initiative, is going to be a good response to the President's order.

Senator MCCLURE. Is it being handled in a different manner because it is experimental or because you want to highlight it?

Dr. BENNETT. Both. I think part of the President's interest in this is that these things should be highlighted so that the institutions will know about it, but it comes—it appears in our division in the place where all of our experimental programs are initiated.

Senator MCCLURE. How many colleges are there that fit that category you have established of historically black colleges?

Dr. BENNETT. One hundred and three.

Senator MCCLURE. What is the proportion to the total number of colleges?

Dr. BENNETT. About 3.3 or 3.4 percent.

Senator MCCLURE. What is the proportion of black students attending historically black colleges to black students enrolled in other colleges?

Dr. BENNETT. Between 20 and 21 percent.

Senator MCCLURE. What has been the participation rate of historically black colleges in the regular education programs?

Dr. BENNETT. Three and one-half percent, 3.6 percent of all grants, for example, awarded in the Division of Education in fiscal year 1982, went to historically black colleges, something higher than their percentage of the total institutional population.

Senator McCLURE. Very close to the same proportion?

Dr. BENNETT. Very close.

Senator McCLURE. But lower than the proportion of black students?

Dr. BENNETT. Yes; that is right. But students at historically black colleges and universities constitute only 1.8 percent of all college students.

Senator McCLURE. These special programs are to be offered for 2 years. What do you envision happening after that 2-year period?

Dr. BENNETT. My guess is if this initiative works the way it should the institutions affected will then know about all of the regular programs at the National Endowment, and at that point we will evaluate it to see if it has been successful.

On these grounds we would probably discontinue the special program and have these institutions simply do business with us on a regular basis. If there seems to be a reason to continue the initiative we will. Obviously, we think it is a good one.

Senator McCLURE. Is the $750,000 for this effort to support the programs for just the first year, or is it the total for both years?

Dr. BENNETT. It is the funds for 1 year. We have some deadlines now in this program as early as June 1. We have just put out our publicity about the program.

If all of the funds were absorbed in this fiscal year, my guess is we would try to make something like this amount, or at least approaching this amount, available for next year.

My guess is that the $750,000 will stretch over 2 fiscal years.

CONGRESSIONAL EARMARKING OF APPROPRIATIONS

Senator McCLURE. As you know, both the Endowment and the Appropriation subcommittees have made every attempt to avoid earmarking Endowment funds to support any specific project or any specific group, and I am not simply talking about these colleges.

This concern was expressed last year when the Endowment submitted the reprograming for an initiative directed specifically at independent research libraries and also during consideration of a continuing resolution when an amendment was proposed to fund certain international research.

The fact is that once funds are earmarked, either by the administration or by the Congress, it is exceedingly difficult to later encourage that group to reenter open competition for funds with all other groups or institutions.

Is that a matter of concern to you?

Dr. BENNETT. Yes, Senator, it is. As you know, I have sought maximum flexibility that the committees would allow. We have tried to use our moneys as intelligently as we can, tried to have our budgets and expenditures follow quality. We request to be judged by our results.

Senator McCLURE. I support your desire for flexibility. The more earmarking we do, the less chance you have, particularly as you move out of that.

Dr. BENNETT. That is right. I think the historically black colleges and universities initiative is, though, a wise application of the principle laid down by the President. We have been praised, in fact, for the appropriateness with which we have formulated this. We have acted promptly on it.

FUNDRAISING OF STATE COUNCILS

Senator MCCLURE. The January-February edition of Federation Reports contained a section on fundraising at the State council level. The article stated that NEH would seek clarification from the Office of Management and Budget on the use of Federal funds by the State councils to defray expenses incurred solely to raise money, on the purchase of capital assets and equipment with Federal funds, and the retention of gifts.

What clarification is needed, and have you met with the Office of Management and Budget on these questions?

Dr. BENNETT. We have not met with OMB on these questions because we are still considering these questions ourselves.

This is a pretty murky, complicated area, and we are taking a close look at it.

Senator MCCLURE. You expect to consult with them, however, is that correct?

Dr. BENNETT. If appropriate, we will. If we come to a conclusion that we think we need their advice, we certainly will.

STATE PROGRAMS

Senator MCCLURE. Traditionally, the Endowment has awarded all of the State funds on a population basis. We understand that there will be a shift in the emphasis and that discretionary funds will be used to support those programs of the highest quality.

What portion of the State funds are discretionary?

Dr. BENNETT. Last year, the portion was about 17 percent.

Senator MCCLURE. Do you expect that proportion to be the same?

Dr. BENNETT. Next year it will be somewhat lower. It would be almost $2 million out of $16 million. So it would be about 12 percent.

Senator MCCLURE. The State councils have acted primarily as regranting agents. According to information supplied by the Endowment, the councils would now be able to use up to $25,000 to support a self-initiated project.

Was that change made at the request of the State councils?

Dr. BENNETT. Yes; it was, but it was also made after we reviewed it and were satisfied that it was a sensible request.

Senator MCCLURE. How many States do you anticipate will take advantage of that change?

Dr. BENNETT. Almost all of them, I would guess.

FUNDING FOR SPECIAL PROJECTS CATEGORY

Senator MCCLURE. $3,250,000 is requested for special projects. That is a decrease of $6,503,000 below the current level. This area is slated for the largest percentage reduction of any Endowment activity.

The justification identifies $1 million of this amount for youth projects and $2,250,000 for program development, which is to include library projects that have previously been funded as a separate activity.

As noted earlier, the funds for the initiative directed toward historically black colleges is to come from special projects.

Will it all come from program development, or have you revised the estimate for youth programs?

Dr. BENNETT. Yes; all of the money for special projects, special activities will come from program development.

Senator MCCLURE. Special projects is one of the three categories in the area of general programs which are directed at much wider audiences than other humanities efforts. The entire area of general programs is slated for a larger percentage reduction than any of the other categories.

Why not earmark the funds for historically black colleges from the education component of the budget rather than from the general programs?

Dr. BENNETT. Again, Senator, this is the part of the budget where we have gone traditionally when we have started initiatives and it would be appropriate here as in the past—this is what we have special projects and program development for, so it would be appropriate to fund it out of that area.

Senator MCCLURE. I want to thank you, Mr. Bennett, for your testimony today and for your administration of the Endowment. It is always a tough job. You always have a lot of critics. There are always a lot of people who like to second-guess your activities.

We appreciate your willingness to work with us and pledge you our continued willingness to work with you and try to stretch these dollars to do more than we have dollars to do.

Dr. BENNETT. Thank you very much, Senator.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you. The balance of the questions will be submitted to you for response.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

ADMINISTRATIVE EXPENSES

Question The Endowment's annual equipment request is about $20,000—so the one-time expenditure was more than 10 times the amount normally spent. Are you taking any of your existing equipment to the new location?

Answer. Yes: we are taking the computer and its related equipment, such as disc drives, terminals and printers, conference room furniture, and miscellaneous other items of furniture and equipment.

Fundraising

Question. Also mentioned in the article was the possibility of instituting a challenge grant program at the State level. Is that being given serious consideration?

Answer. The article suggested that individual councils "may want to encourage NEH to create a special challenge grant program to encourage State programs to build endowments by matching private funds with Federal funds on a 1:1 basis." A form of challenge grants for State councils has been one of a wide variety of possible program initiatives which we have considered in the past. After careful deliberation of various programing objectives and alternatives, however, we concluded that at this stage in the development of the State councils, Treasury funds rather than challenge grants would provide the most effective way to encourage private-sector support of the organizations. As we begin our planning for fiscal year 1985 we will again consider a variety of options in each of our major programing areas, and the challenge option will undoubtedly be one of the many which we will examine.

Challenge Grants

Question. The fiscal year 1984 request for challenge grants is $16,500,000. Of this amount, $9 million is required to support ongoing projects. The remaining $7.5 million is sufficient to support about 65 new grants. Within these funds, the Endowment plans tc offer, for the first time, challenge grants in conjunction with project grants supported from the Education Division, and you also plan to allow application for second challenge grants. Of the $7,500,000 what is the anticipated breakdown between first-time challenge grants, second-time grants, and the education initiative?

Answer. The Endowment has not established any specific breakdown between first-time challenge grants, second-time grants, and joint education-challenge grants. At least for the first competition, we plan to await the outcome of the submission and review of applications. Our initial estimate at this time, however, is that there would be only a handful of joint education-challenge grants, and in the neighborhood of 10 to 12 second-time grants.

Special Projects

Question. Applications for youth grants have declined from a high of 460 in fiscal year 1981 to a level of just 86 in the current year. The justification projects that 200 applications will be received next year for youth grants. On what basis is this estimate made?

Answer. The 86 applications referred to above are the result of only one of the two application cycles for fiscal year 1983. For the next cycle we expect 50 to 75 applications, for a total of up to 160. Incidentally, although we received 460 applications in 1981, we received only 225 applications in 1982, so the estimates for 1983 and 1984 are close to the actual experience in 1982.

Question. The library program is to be reviewed during the current year. Has this review started, and what is its aim?

Answer. Yes; the review has started. We will continue to assess this administrative change throughout 1983 and 1984.

Libraries were folded into program development primarily because their projects have been almost indistinguishable from program development projects. We are interested in seeing if there might be a way for the Endowment to develop more fully the specific virtues of libraries. Libraries are the repositories of books, and we hope to devise ways to encourage fuller exploitation and interpretaion of humanities collections. The Assistant Director for Special Projects and his staff have been meeting with people in the field to discuss these matters with them.

Question. Is consideration also being given to restructuring the museum program?

Answer. Consideration is being given to restructuring the entire Division of General Programs, including the museum program, so as to better approximate the newly restated goals of the Division. Such a restructuring, should it occur, would of course continue to view museums as means of providing humanities programing for general audiences.

Newspaper Project

Question. Last year the Endowment embarked on an effort to preserve newspapers as a research resource. The program was initially funded from research tools, but has been moved in the 1984 budget to organization and improvement projects. As the final step of the process is to micorfilm and preserve the papers, why don't you fund it from conservation and preservation?

Answer. Endowment grants for the newspaper project currently support bibliographic activities and, therefore, are scheduled to be supported by the organization/improvement program. Ultimately, that is, 3 to 4 years hence, most of the activity in this area will be microfilming and would be eligible in the conservation/preservation line.

Over the past decade there has been a shift in bibliographic practice. Not many years ago most of this work appeared in bound volumes destined for library shelves, with additional up-dating volumes appearing at regular intervals. Now most of the work is entered into a data base with multiple access and continual up-dating at little expense.

Production of a "hand-held" tool is supported in the materials area, which includes both organization and improvement projects and conservation and preservation projects. Thus, we have shifted most bibliographic projects from materials to resources. Our earliest pilot project for Iowa newspapers was supported in materials, therefore, and resulted in a single volume. But current awards are being handled in the same way as other bibliographic projects.

Multiyear Funding

Question. There are several organizations, such as the New York Public Library, the International Travel Grant Program for American Scholars, the International Research and Exchanges Board, and others, which receive continuing support from the Endowment. In times of stable, or shrinking budgets, meeting such commitments can consume larger and larger portions of the budget, leaving less available to meet the requirements of other applicants.

For the record, please submit a list of all grantees who have received program funds in two or more of the last 3 fiscal years, and the amount of each grant by year.

Answer. The Endowment has undertaken no commitment to support any grantee in perpetuity. Applicants that have received previous grants must compete formally with all other applicants for additional grants.

In some instances, because of the scope of the project and because of the need for the grantee to be able to plan its activities effectively, the Endowment makes grants having a grant period of several years. In most multiyear grants the Endowment formally obligates the full amount of the grant in the year when it is approved. However, in some projects, particularly those involving the subsequent regranting of NEH funds, the National Council has often recommended a mix of outright and matching support which would extend over a number of years, with NEH funds to be provided on a year-by-year basis according to a set schedule. This approach is normally used for the grantees of the intercultural research program, such as the International Research and Exchanges Board and the Committee for Scholarly Communication with the Peoples' Republic of China, and the fellowship regrant activities of the American Council of Learned Societies, supported through the NEH Division of Fellowships and Seminars. The number of instances in which this occurs is therefore quite low.

At the committee's request we have also included the New York Public Library.

We are submitting for the record the following table, which shows the amount of funds which the Endowment has committed during fiscal 1981, 1982, and 1983 to date for obligation in fiscal years 1983–87. As will be noted, the level of commitments is very low.

NATIONAL ENDOWMENT FOR THE HUMANITIES

Multi-year Funding Commitments

The figures shown represent the amount of funding committed by the National Council on the Humanities and the Chairman during FY 1981, FY 1982, and FY 1983 to date for obligation in FY 1983 through FY 1987. No official commitments for funding have been made beyond FY 1987. Additional applications for support of these programs are expected during FY 1983 and in future fiscal years.

Please note that the amount of funding committed for a fiscal year may differ from the actual amount of funding obligated during that fiscal year.

Project	Grantee	Amount Committed 1983	1984	1985	1986	1987
1. International Travel Grant Program for American Scholars	American Council of Learned Societies	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
2. American Humanities Research in Eastern Europe and the Soviet Union through Scholarly Exchange (IREX)	American Council of Learned Societies	800,000	500,000[1/]	500,000[1/]	500,000[1/]	500,000[1/]
3. ACLS/SSRC International Research Program in the Humanities	Social Science Research Council	1,000,000	1,000,000	1,000,000	--	--
4. ACLS/SSRC Joint Committee on Studies of Chinese Civilization	American Council of Learned Societies	50,000[2/]	--	--	--	--
5. Committee on Scholarly Communication with the Peoples Republic of China	National Academy of Sciences	80,000	85,000	85,000	--	--
6. CSCPRC National Program for Advanced Study and Research in China.	National Academy of Sciences	200,000	200,000	--	--	--
7. ACLS Regular Fellowships Program	American Council of Learned Societies	500,000	500,000	500,000	--	--
8. ACLS Research Fellowships for Recent Recipients of the Ph.D.	American Council of Learned Societies	119,710	119,710	119,710	--	--
9. ACLS Grants-in-Aid Program	American Council of Learned Societies	149,638	149,638	149,638	--	--
TOTAL		$2,979,348	$2,634,348	$2,434,348	$580,000	$580,000

Project	Grantee	Amount Committed 1983	1984	1985	1986	1987
Support of the national services of the research libraries of the New York Public Library	New York Public Library	$2,000,000 [3/]		--	--	--

1/ A request for supplemental funding will be made every year through FY 1987. It is anticipated that these requests will be for approximately $300,000 per year.

2/ A request for supplemental funding will be reviewed at the May 1983 meeting of the National Council on the Humanities.

3/ According to the terms of the grant, the grantee has up to two years to raise the required matching in order to claim the $2 million approved.

FEDERAL INSPECTOR FOR THE ALASKA GAS PIPELINE

STATEMENT OF JOHN T. RHETT, FEDERAL INSPECTOR, OFFICE OF THE FEDERAL INSPECTOR FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

ACCOMPANIED BY:

PETER COOK, THE DEPUTY FEDERAL INSPECTOR FOR WASHINGTON, D.C.

AMOS MATHEWS, THE DEPUTY FEDERAL INSPECTOR FOR ALASKA

INTRODUCTION OF ASSOCIATES

Senator McCLURE. We will now turn to the Office of the Federal Inspector for the Alaska Natural Gas Transportation System, whose fiscal 1984 request of $9,115,000 represents a 49-percent increase over the fiscal 1983 appropriation of $6,125,000.

Testifying today on behalf of OFI will be the Federal Inspector, Mr. John T. Rhett, Jr.

I would like to welcome you again before this committee, Mr. Rhett. And I would invite you to introduce those who are appearing at the table with you.

Mr. RHETT. It is a pleasure to be here.

On my right is Mr. Amos Mathews, who is our Deputy in Alaska.

And on my left is Peter Cook, our Deputy in Washington and the lower 48.

PREPARED STATEMENT

Senator McCLURE. Your written statement will be made a part of the record in full at this point. We will now proceed directly to the questions.

[The statement follows:]

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STATEMENT OF JOHN T. RHETT

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss our budget request for fiscal year 1984 and the status of the pipeline project. I am John T. Rhett, Jr., the Federal Inspector for the Alaska Natural Gas Transportation System. With me are Mr. Peter Cook, the Deputy Federal Inspector for Washington, D.C., and Mr. Amos Mathews, the Deputy Federal Inspector for Alaska.

Let me begin by briefly describing the system and my duties as Federal Inspector.

The Alaska Natural Gas Transportation System (ANGTS) is one of the most ambitious construction projects of modern times, and the largest joint energy project ever undertaken by two nations. It will also be the most expensive pipeline project in the world and the first buried, chilled gas pipeline. When completed, the 4,800-mile pipeline system will traverse 11 states and 4 Canadian provinces, from the North Slope of Alaska to the Chicago and San Francisco areas.

Construction of the Alaska Natural Gas Transportation System is divided into two stages. The first stage, which was completed in the fall of 1982, involved construction of portions of the Eastern and Western Legs--referred to as "prebuild" or "Phase I" construction--to transport natural gas from Alberta, Canada to the lower 48 states. The second phase of the project is the completion of the Alaskan, northern Canadian portions, and lower 48 segments necessary to deliver the Alaskan natural gas to the continental U.S. The North Slope gas conditioning plant, which became part of the ANGTS project in December 1981, is also scheduled to be built during the second phase of the project, in tandem with pipeline construction.

The mission of the Office of the Federal Inspector (OFI) is to assure that the system is built without unnecessary government delays, and that it is built safely, at the minimum cost, and in an environmentally sound manner. Because all Federal responsibilities associated with this project have been transferred to the OFI for its duration, the OFI is the focal point for all Federal decisionmaking. As Federal Inspector, I am responsible for coordinating all Federal activities related to the construction of the pipeline, and specifically for scheduling, expediting, and enforcing the permitting actions of eight Federal agencies. The centralization of authority within the OFI allows for timely, consistent and balanced Federal decisions. To date, this approach has worked quite well in overseeing construction on the prebuild segments.

I would now like to bring you up to date on the progress made towards completing the ANGTS system.

Approximately 1,512 miles of pipeline, or 32 percent of the total ANGTS, have been completed. Of that total, 983 miles are in the U.S. and 529 in Canada. Currently, the Western Leg of the system, which became operational on October 1, 1981, is delivering a range of 100 to 240 million cubic feet of Canadian gas per day to U.S. consumers. The Eastern Leg, which began operations on September 1, 1982, is the longest, most expensive gas pipeline ever built at one time in the lower 48 States. It is now transporting approximately 340 million cubic feet per day, which reflects a significant drop in demand from the peak winter deliveries of approximately 850 million cubic feet per day. While some minor restoration work remains to be done on the Eastern Leg, the final construction cost is expected to be under budget for both the U.S.

and Canadian portions. The Western Leg was also completed within budget, and both prebuild segments were finished basically on schedule.

That both prebuild segments were constructed within budget and basically on schedule validates the concept of the OFI; it also reflects the highly cooperative efforts of the sponsor companies and the other Federal agencies. The "one-window" approach instituted by the OFI allows the sponsors and other groups to deal with only one regulatory entity on project issues. This has enabled expedited decisionmaking and prevented costly delays.

The project oversight philosophy adopted by the OFI places an emphasis on timely and coordinated government actions, and on working constructively with the sponsors to resolve problems early. This has been successfully tested on the prebuild construction program. The field staffs have worked diligently with the sponsors to correct weld problems, to overcome unanticipated conditions caused by poor weather, and to expedite waivers to certain river crossing permit stipulations, while at the same time assuring the safety of the pipeline, protecting the environment and keeping construction on schedule.

The lessons learned from overseeing prebuild construction will prove invaluable for the work that lies ahead during the second phase of construction. Phase I construction gave us an opportunity to evaluate the current technology in various design and construction areas, assess our enforcement policies and procedures, and test our scheduling, permitting, and cost control systems. We are already beginning to refine our planning for Phase II, based on the experience gained during the prebuild phase.

The OFI will close its Omaha field office on April 30, 1983. Since completion of mainline construction, the OFI's Omaha staff has been overseeing the completion of the second Compressor Station and the sponsor's restoration work. The San Francisco office, established to oversee construction on the Western Leg, was officially closed on February 26, 1982. Both the Omaha and San Francisco offices were, originally, to remain open until Phase II construction got underway; however, with the hiatus in construction, efficiency dictated shutting down the offices. In keeping with the "sunset" language of our authorizing legislation, we will turn our responsibilities for both Legs back to the agency or department having original authority, at the appropriate time.

While Phase I construction has progressed relatively smoothly, the plans for the second, and more complex, phase of system construction have changed radically. During the course of 1982, the estimated date for completing the entire ANGTS project was delayed twice; on March 16, 1982, the schedule was slipped from 1986-87 to 1987-88, and on April 30, 1982, from 1987-88 to 1989-90. Basically, due to the short term excess world energy supplies, depressed crude oil prices, and uncertainties in world financial markets, the sponsors of the Alaskan Leg concluded that they would need more time to secure the financing required for the Alaskan segment than the original date allowed. The construction schedule was revised on the basis of obtaining financing by mid-1984 and completing the entire project by the winter of 1989-90. The sponsors postponed Alaskan construction in the hopes that general economic and specific energy market conditions would settle enough over time to allow financing of the gas pipeline project by 1984.

A financial committee, comprised of representatives from both the gas pipeline companies and producers, is continuing to advise the project sponsors on alternative financing strategies and arrangements. Although

the sponsors will continue their efforts, significant progress in this area is not expected until energy market and overall economic conditions improve.

The additional delays in the completion of the Alaskan segment created a gap between the design and actual construction stages for Phase II; the 1986-87 schedule was based on a relatively compressed timetable, with civil construction beginning as design review was completed. Now, design review, permit processing, field surveys, and other preconstruction activities will be stretched out over the next four years, when it was originally contemplated to be wrapped up by mid-1984. Under the 1989-90 schedule, the sponsor will begin to submit mile-by-mile design review and gas conditioning plant procurement packages in late 1984--early 1985, with construction of the conditioning plant scheduled to start in early 1985.

The OFI relies upon the workload estimates and construction schedules provided by the sponsors to develop its own planning assumptions and budget requirements. Consequently, the 1982 schedule delays announced by the sponsors necessitated considerable changes in the OFI's FY 1982 funding and particularly in the FY 1983 budget. Not only did Northwest Alaskan revise its construction schedules, but it also quickly and substantially reduced its staffing and contract support shortly after the April 30, 1982 announcement. At that time, its staffing was cut about 48 percent, down to 138 employees, and its contractor support by approximately 90 percent, down to a total of 50 employees. By December 1982, the sponsors had reduced their total project staff to roughly 100 employees.

The OFI immediately began to reanalyze its current and outyear budget estimates in response to the sponsors' actions. In June 1982, we officially revised the FY 1982-83 estimates to reflect our plans to reduce staffing and operations, through reductions-in-force and closing the Omaha office. The $8,000,000 rescission proposed in the FY 1982 appropriation was enacted in September 1982, reducing our budget to $19,425,000 by year-end.

In November 1982, the twice-amended FY 1983 request was again reduced because the sponsors had tightened up their workload projections even more. When FY 1983 funds were appropriated in December 1982, our request had dropped to $6,125,000--an 80 percent reduction in our original request of $30,471,000. The OFI also decided to cut staffing down to a base, or "core" group, by the end of FY 1983. This core group, totaling 43 employees, now appears to be the minimum staff needed to oversee project work, conduct daily operations, and yet remobilize the agency when construction on the Alaskan Leg, as now scheduled, becames a certainty. As conditions change, the core staff will be carefully scrutinized to assure that the minimum, effective level of staff is obtained. Currently, we have a total of 54 employees; this figure reflects the loss of 23 employees from a reduction-in-force that occurred on April 1, 1983. A further reduction of 7 employees will occur by April 30, 1983, leaving a total force of 47.

Despite the reductions, the sponsors have continued to work on the design criteria packages for both the pipeline and the gas conditioning plant. During the latter part of 1982, the OFI and the State of Alaska jointly reviewed a number of design criteria elements and provided comments to the sponsors. In these reviews, as in other joint efforts, the working relationship between the OFI and the State of Alaska has been very good. This cooperation has greatly facilitated progress in many areas, and we look forward to continuing to work with the State.

The sponsors of the Alaskan Leg established a budget goal for calendar year 1983 of approximately $10 million, and approved expenditures of about $6.3 million for the first half of the year. The sponsors will continue to evaluate their budget on a quarterly basis to determine the level of funding for the remainder of 1983. The next partners' meeting is scheduled to be held on June 8, 1983. As in the past, we will keep you and your staff informed of the sponsors' plans.

Both the private and governmental entities involved in the Canadian portion of the project have followed similar courses of action. Foothills Pipelines Ltd., the sponsor of the Canadian Leg, has substantially reduced its activities. For example, in March 1982, Foothills had about 650 employees. By the end of 1982, Foothills had reduced its staff to approximately 300 employees. Foothills expects that its expenditures for operation and maintenance of its portion of the Eastern and Western Legs and further planning for Phase II will total about $10-12 million during 1983.

Our counterpart of the Canadian government, the Northern Pipeline Agency (NPA), has also greatly decreased its staffing in reaction to the projected gap in construction. In July 1982, NPA had just over 100 employees; by the end of December 1982, NPA had approximately 50 employees on board. While part of the reduction resulted from attrition and layoffs, a substantial number of employees were temporarily assigned to other government departments.

Both the NPA and the OFI are fully aware that the future course of the ANGTS project, and thus the extent of either Government's oversight responsibilities, will be decided by the actions of the participating private companies. Yet, we need to continue our close working relationship with the Canadians to ensure that our efforts are coordinated in the short term and when Phase II construction gets underway.

The assumptions that formed the basis for the revisions in the FY 1982 and FY 1983 estimates have also shaped the budget requirements for FY 1984. The FY 1984 budget request of $9,115,000 is based on the premise that the 1989-90 construction schedule is viable and financing will be secured by the sponsor's target date of mid-1984. Under the 1989-90 completion schedule, the mile-by-mile design review and gas conditioning plant procurement packages will begin to be produced in late 1984--early 1985. Given that timeframe, the OFI assumed that the summer of 1984 would mark a resurgence in project and, thus, agency activity. Recruitment was then projected to begin in the latter half of FY 1984 in order to allow enough time to hire and train the staff needed for the procurement and design reviews.

For at least the first two quarters of the FY 1984, the agency will remain at the core staff level of 43 total positions, or the level reached at the end of FY 1983. Also during the first half of FY 1984, the OFI staff will be devoting a good deal of time to refining agency policies and procedures, management information systems, and field enforcement strategies, in addition to handling whatever project work is generated by the sponsors. During the third quarter of FY 1984, the OFI plans to rebuild the engineering, environmental, cost, and field inspection staffs in anticipation of increased activity on the Alaskan segment. Employment is projected to rise to 150 total positions by the end of FY 1984. The end-of-year employment strength was targeted at a total of 150 positions, because the work projected for that period of time closely parallels that of mid-FY 1982 when the OFI was about to start the full scale design review and preconstruction phases for the Alaskan Leg of the project. The rapid increase in staff towards the end of FY 1984 results in a total workyear estimate of 70.

The moderate growth in the agency's budget from FY 1983 to FY 1984 is to accommodate the rebuilding of staff and the reactivation of technical support contracts. While all of the program activities will experience an increase in workload, the three areas of greatest activity will be in Engineering Review, Field Surveillance, and Executive Direction and Administration. The design packages scheduled to be submitted by the sponsor during late 1984--early 1985 account for the higher estimated cost of the Engineering Review program in FY 1984. Similarly, the Alaska field staff will be involved in the design review process from the field constructibility angle, necessitating a higher level of funding there. At the same time, the remobilization effort will be focused in Alaska, requiring additional resources to handle office and staff expansions. The Executive Direction and Administration estimate also rises to handle the increased managerial and administrative duties associated with the remobilization. For example, a large number of employees are scheduled to be hired in a short period of time, and the Alaska offices must be properly equipped before the employees report for work there. The Executive Direction and Administration staffs are primarily responsible for restructuring the organization and workplans to assure a smooth, efficient transition back to a faster pace of project activity.

The FY 1984 budget request of $9,115,000 and 70 workyears hinges entirely on the sponsors' construction schedules, which are, in turn, based on securing private financing by mid-1984. Because so many unknowns could influence the outcome of the sponsors' efforts, it is entirely possible that the construction schedule could be revised again. At this point, however, all indications are that the 1989-90 schedule is still firm. Changes in interest and/or inflation rates, the supply of world energy reserves, and the price of domestic gas are just some of the unknowns that could alter the course of the project and, thus, the OFI's budget requests.

As with previous budget requests, the accuracy of our forecasting is hampered by shifting project assumptions and the government budget cycle itself. Whereas the sponsors can develop their budget one quarter in advance of their fiscal year, we must prepare our budget two full years ahead. Estimating so far in advance for an agency of this nature has, to date, produced a series of amendments and rescissions in our budgets, which will likely continue.

As new information on the project becomes available, the OFI will reevaluate its planning assumptions and resource requirements. If any assumptions do change, the OFI will adjust its budget accordingly, so that funding for agency operations is kept to the minimum necessary to oversee the level of project activity anticipated. We will continue to keep you informed of any developments which could significantly affect our funding requirements.

Mr. Chairman, that concludes my presentation. I will be pleased to answer any questions you may have.

WORK SCHEDULE DEPENDENT ON PIPELINE SPONSOR COMPANIES

Senator McCLURE. Before we begin specific questions, I think it is important to note that, unlike other Federal agencies, the work conducted by OFI is almost totally dependent on the work schedule adopted by the pipeline sponsor companies.

As you pointed out in your written statement, Mr. Rhett, sponsors can develop their budgets one quarter in advance of the fiscal year, while you must prepare yours nearly 2 years in advance of the fiscal year.

Such a system can and, in fact, has resulted in some very dramatic changes in OFI's budget the past 2 years. Perhaps more important than that though is the frustration that project changes have surely caused you and your staff during this period. I think you can be proud of your achievement in holding OFI together under those circumstances.

I want the record to reflect the difficulty under which you operate in those circumstances.

While we recognize that so much of your budget parallels the work of the sponsors, we unfortunately do not have the ability to oversee the work of the sponsors in the same fashion as we do yours. You are, in effect, thus testifying on behalf of yourself and, to a certain extent, on behalf of the sponsors as well.

In this light, your 1984 budget request is essentially based on the belief that project financing will be arranged by mid-1984. And as a result, you and the sponsors will be able to begin staffing up during the latter portion of the fiscal year.

Since your budget request was approved and submitted to the Congress, have the sponsors given you any indication that their timeframe slipped any further?

Mr. RHETT. No, sir. They are still planning that. The financing itself should be obtained about January 1, 1985. There should be enough lead time before, starting in mid-1984, to allow the sponsors and our staff to remobilize.

Senator McCLURE. It is my understanding that you were scheduled to meet with the sponsors last month. Did you meet with them?

Is there any insight of the plans of the sponsors that you can share with us this afternoon?

Mr. RHETT. I would like to tell you where they are right now.

Unfortunately, much like the gas market, the plans for the Alaska pipeline are also in turmoil. There is a generally optimistic feeling that the gas market will settle down within the next couple of years and that the 1989 completion date will hold—in other words, they have not slipped.

To meet that date in any reasonable fashion, we have to start gearing up in 1984, with major activity occurring around the first part of 1985. I'm not saying that it could not be compressed. The schedule could be compressed some, but then that means expedited engineering and expedited construction. The sponsors confirmed that this is where they are going at our meeting.

It also means that there will be a "float" period for the sponsor and also ourselves. The sponsor indicated that, during this period, they wi[11] further reduce their force. Consequently, we plan similar reductions, which are basically, within a few people, outlined in our budget.

Both the sponsors and the OFI plan to turn around and start rehiring unless the project slips.

Senator McCLURE. As you reported in your written statement, the next partners' meeting is scheduled to be held on June 8.

Do you expect the sponsors to determine at that time whether or not project completion will slip another year or more?

Mr. RHETT. My guess is it will not be determined then. My guess is it is going to be next fall.

I think at that meeting we will start to pick up some information on their 1984 budget. I do not believe, by June, that the gas market will have settled adequately.

From talking to them, I do believe that they will hold to the 1989 date. They will not slip it this summer.

If there is a slippage, it will occur in the fall, or winter, or later.

EFFECT OF POSSIBLE DEREGULATION

Senator McCLURE. I'm going to ask you to get your crystal ball out.

What, in your opinion, will be the effect of the ongoing natural gas deregulation legislation on the sponsor's ability to obtain project financing and thus maintain the 1989 project completion schedule?

Mr. RHETT. Mr. Chairman, I would like to come at that from two directions. One is the project itself.

We have looked—and from a very narrow viewpoint—at the effects of gas deregulation on the project itself and do not believe that it really affects it much one way or the other.

Let me explain. This is looking at it in a narrow scope. The cushion of old gas under any conditions, under the new bill or under the existing setup, would be gone by the 1989–90 timeframe, or the bulk of it would be gone.

Most of the provisions in the administration bill that have time limits would have been phased out by then.

So, we just do not believe that there will be much effect.

Looking at it from a much broader viewpoint, any unknown that is added to the picture makes it more difficult to get financing.

As long as deregulation is not settled and squared away, there is another unknown in the gas market and in the financial market. I think that is important, particularly as the bankers and the sponsors look at it.

Also, any legislation that is ultimately enacted will have an impact on the gas industry, from beginning to end. What that impact will be is beyond our organization's ability to analyze; we will have to wait and see the final structure of the bill. This, of course, could affect the choices of the sponsors about the future uses of their money.

Senator McCLURE. There is certainly a great deal of uncertainty in energy markets, not the least of which is the current effort to legislate rather remarkable changes in regulatory regime in natural gas.

I guess maybe that I would have to say that experience has also indicated that projects of this nature are more likely to slip than they are to stay on schedule.

In view of both of those facts, it seems to me that it might be prudent for us to take a look at the possibility of slippage in the projected construction schedule.

BUDGET APPROACH

If that is the case, wouldn't it make better sense for us to fund you at lower levels for rather concrete levels of activity, with the possibility of then meeting the buildup, if it occurs on schedule, with a supplemental, rather than fully fund you, and then come back with a rescission?

Mr. RHETT. Mr. Chairman, I think that is a significant problem.

If we are talking about a 1989 completion date, I believe you almost have to go with the idea of buildup. I am using the term "you" differently here. I meant from a purely managerial viewpoint.

It is necessary to conduct that buildup. We will come back to you if the schedule slips; I think we have a pretty good record for doing so. When it looks like there will be a slip, we usually say, "Look, we can't make it, and here is the money back. Let's go through a rescission."

We are going through this process now. We know that out of the $9 million, just about $6 million is targeted for buildup, with $3 to $3.5 million the base estimate. This is something we will be back to you on.

Now, if you are talking about the date slipping beyond 1989 and a "float" period, the supplemental is an extremely good idea.

The problem we have got before 1989, is that with a project of this magnitude and this size, there is not enough time. It takes a tremendous amount of planning, if nothing else, to make contacts, and recruit people. There has to be some foundation for commitments to be made externally.

We also have another problem. Unfortunately, many of the decisions on appropriations occur around the first quarter of the fiscal year. And, quite often, we have ended up with a continuing resolution during this period.

The chances of then getting a supplemental—or even getting the attention of the committees to face our funding problem—might be extremely difficult.

Senator MCCLURE. I understand. From a manager's standpoint, you would rather have the money in the bank available for expenditures. Or, you would rather be able to return it to us. From our standpoint, that is less attractive from our side of the table than it is from your side.

Let me ask you a couple of further questions. Have you also developed a contingency budget if the sponsors decide to slip the project completion another year or more?

Mr. RHETT. Yes; there is a contingency budget, but it is internal within the OFI. The administration knows we may later recommend cutting back to the level of a contingency budget, but will, as before, continue to support the current request, given the sponsors' announced schedule.

This contingency budget right now is about $3.5 million, depending upon what the sponsor does. Because the $3.5 million contingency budget is based on further schedule delays, approximately $6 million of the $9.1 million 1984 budget request is clearly for rebuilding.

Senator McCLURE. How many full-time equivalent personnel would you have to have on hand in the event of a slip?

Mr. RHETT. Between 30 and 35.

I would like to explain why I cannot be very precise here, although it is pretty close.

We are working with certain staffing assumptions based on what the sponsors are doing. If we go below 30 employees, then I believe that the Federal Inspector would have difficulty coming back to Congress and saying, "Let me assure you that we have this project well under control," when the project remobilizes.

Senator McCLURE. If the project does slip further, would you take action to close one or more of your remaining three field offices?

Mr. RHETT. Given the current outlook, we will probably convert both the Fairbanks office and the Irvine office into liaison offices, in which we will have one or two professionals and a clerical worker. The reason for that is Northwest has offices in Irvine and both the State and Northwest have their main offices in Fairbanks. Our Fairbanks and Irvine staffs would be liaisons of the Anchorage office.

PREBUILD SEGMENTS

Senator McCLURE. You reported that both the Western and Eastern leg segments have been or are expected to be completed on schedule and under budget.

The projected construction costs, including finance charges, of the Western leg was $176,179,100; while the Eastern leg was $1.474 billion.

How did the current estimated total costs of the two legs compare with actual costs?

Mr. RHETT. The estimates were just about on the nose.

The Western leg, where I think they just settled their last claim, came in on the nose. Yes; it almost sounds like they may have been working to the figures.

On the Eastern leg, costs are about 10 percent under.

The results on both of them were good and construction was on schedule; the same applies to the Canadian prebuild system.

Senator McCLURE. What post-construction work on the Eastern leg remains to be completed?

Mr. RHETT. On the Canadian portion, there was a strike. Some of their mechanical machinery will not be completely installed until May, but there are other stations up there to handle the gas flow.

On the Eastern leg in the lower 48, it is strictly rehabilitation work. Some of the work was done so late in the fall that they need to do reseeding and items of this nature.

Senator McCLURE. Will your Omaha office be closed before this work is completed?

Mr. RHETT. Yes; it will be closed. We have sent letters to the different agencies, transferring the responsibility back and making arrangements for them to inspect for us. We will check them. It is cheaper.

Senator MCCLURE. Would you provide for the record the exact amount of the costs on those two segments?

Mr. RHETT. Yes, sir.

[The information follows:]

COST OF PREBUILD CONSTRUCTION

	Final construction costs	
	Eastern leg	Western leg
Construction costs incurred	[1]$1,130,642,000	$167,820,000
Allowance for funds used during construction (AFUDC)	192,072,000	8,250,000
Total	1,322,714,000	176,070,000

[1]Includes actual costs incurred through December 1982 and an estimate to cover all remaining activities.

TRANSFERRING EEO OFFICE

Senator MCCLURE. You reported that because of the functions of equal opportunity employment were made of a part of the total surveillance effort, the EEO office was moved to Alaska during the second quarter of 1983. Has that transfer actually occurred?

Mr. RHETT. We have been somewhat in turmoil. Our chief moved up there, but he has now quit and is working for the city of Anchorage. Adjustments are being made in his travel costs.

Senator MCCLURE. Did he utilize the transfer up there just to pay his transportation costs so he could take the other job?

Mr. RHETT. I don't believe so, although it looks——

Senator MCCLURE. It was only 1 week, wasn't it?

Mr. RHETT. It was 6½ weeks.

We knew that he had been hunting for jobs up there.

We are still working on the transportation arrangements. As an example, the city of Anchorage is going to pick up half of the costs. So, I think I can guarantee you that, by the time this one is settled, it will have been equitable to the Government.

Senator MCCLURE. Has he been replaced, or will he be replaced?

Mr. RHETT. Our general counsel has been assigned that as an additional duty.

Senator MCCLURE. And you will not move him to that location?

Mr. RHETT. No.

Senator MCCLURE. Were OFI employees transferred along with the office?

Mr. RHETT. No; because we were really down to one employee. The other two were scheduled to be RIFed. The remaining work was basically on Alaskan issues.

The EEO Director had labor background; he was transferred up there to do both labor and EEO.

Senator McCLURE. The others were RIFed before they were moved?
Mr. RHETT. Yes.

GAS-CONDITIONING PLANT COST STUDY

Senator McCLURE. It is my understanding that you have been reviewing a major study on the gas-conditioning plant which may have potential to reduce the current cost estimates for construction and for operation of the plant.

How far has your review progressed? And what results of the review can you share with the committee?

Mr. RHETT. The review to date has been very good. It involves a different process.

The major result is that it will probably chop 1 year off the construction of the conditioning plant, which has always been the critical item. This schedule compression is possible because of the tremendous reduction in the size and number of modules that have to be shipped to Alaska.

To date, the results of the study—and Mr. Mathews has just been in Pasadena on it—have been very encouraging.

Senator McCLURE. And I wonder—what about costs?

Mr. MATHEWS. They have not costed this yet, because they are still going through the basic design optimization. The task for this month is to attempt to cost it all out. We foresee a sizable reduction, but I would not even attempt to guess what it would be.

Senator McCLURE. Do you have any idea when those figures might be available?

Mr. MATHEWS. Certainly by the end of June.

Senator McCLURE. Would you provide them to the committee when you receive them.

Mr. MATHEWS. I certainly will.

FROST HEAVE STUDIES

Senator McCLURE. You have been studying the facts of frost heave as it relates to underground construction for quite a while.

Briefly, what have you learned from this research? And what work in this regard really remains to be done in fiscal 1984 and beyond?

Mr. RHETT. The work here has progressed not only satisfactorily, but very, very well. Three years ago, this was a major technical problem. Today, as far as we are concerned—although we are not quite to the end—it appears that the technical problems have been completely beaten.

There are big technical meetings on this scheduled in June.

Northwest will have their final engineering submittals to us by summer. By fall, we expect to be able to approve, from an engineering viewpoint, the construction methods proposed for Alaska, and, in general, have the scientific community pretty much in agreement with us.

Certain confirmatory tests will continue. This is really an engineering success story, and it's coming out very well.

Senator McCLURE. So, if I understand you answer correctly, you will have nearly all of that work done within this fiscal year?

Mr. RHETT. We will have all of the basic work done. Then the sponsors will have to do some confirmatory tests.

Senator McCLURE. How much money do you expect will be spent on this the balance of this fiscal year?

Mr. RHETT. It is the equivalent of about 3 man-years between now and the end of the study. That would be 1½ man-years, from our viewpoint; a lot more from Northwest's viewpoint.

Senator McCLURE. How much would you expect to spend on the confirmatory projects during 1984?

Mr. RHETT. About the same, but over the full year.

PROJECT COSTS

Senator McCLURE. Among your responsibilities, as defined in orders of the Federal Energy Regulatory Commission, is the implementation of the incentive rate of return mechanism. In this regard you monitor estimated and actual project costs and determine which should be included in the rate base and which should not.

Approximately, what percentage of those costs submitted to you by the sponsors for review have been accepted and included in the rate base, and what percentage have not?

Mr. RHETT. I would like to furnish that for the record, if I could, Mr. Chairman, because we really need to establish a cut-off date to prepare those figures. I think we can furnish this to you.

Senator McCLURE. If you can do that, I would appreciate it, and along with that, if you could also make some kind of an estimate of how much you have saved the consumers as a result of that oversight responsibility.

Mr. RHETT. Yes.

[The information follows:]

PERCENT OF COSTS INCLUDED IN THE RATE BASE

The current status of the rate base requests to OFI—expenditures since December 31, 1979 (previous expenditures were the responsibility of the Federal Energy Regulatory Commission)—for the Eastern, Western, and Alaskan legs, respectively, is as follows:

[In thousands of dollars]

Periods covered	Audited	Recommendations in tentative determination[1]			
		Approved	Percent	Disapproved	Percent
Eastern leg, 1/1/80 to 3/31/82	$1,020,034	$1,018,820	99.9	$1,214	0.1
Western leg, inception to 5/31/82	170,338	(1)	(1)	(1)	(1)
Alaskan leg, 1/1/80 to 9/31/81	331,237	292,070	88.2	39,167	11.8
Total	1,521,609	1,310,890	97.0	40,381	3.0

[1]The tentative determinations were released for public comment and the totals could change as the result of any adjustments made by the Federal Inspector in the final determination. Also, tentative decisions on subsequent Eastern leg and Alaskan leg as well as the final Western leg audit will be issued soon.

The above savings exceed the cost of OFI's audit work for the periods covered by $36,365,000. However, the real savings to the consumer as a result of OFI's audit work are believed to be far greater. OFI's cost and management oversight over the project was extensive and entailed review and approval of all major management systems and other key plans, upon which cost control is predicated, before construction could commence. The audit process was designed to assure that such systems and plans were implemented effectively and were operating properly during the construction phase. The effectiveness of these systems and plans contributed to the project segments being completed on time and under budget.

Consumer Savings Resulting From the Incentive Rate of Return

The incentive rate of return (IROR) mechanism, established by the Federal Energy Regulatory Commission (FERC) as a condition to the issuance of the final certificate of public convenience and necessity, is designed to provide an incentive for minimizing construction costs by establishing variable rates of return on equity. The rate of return can increase or decrease depending on whether actual (audited) construction costs, deflated to base year dollars, are less than or greater than the federally-approved cost estimate. The IROR mechanism was designed to complement, but not replace, the "prudence" determination made in connection with the audit process.

On March 18, 1983, in a filing with the Federal Energy Regulatory Commission, the Northern Border Pipeline Co. reported an incentive rate of return target underrun of about $275 million. This number is subject to review and adjustment; however, it indicates that the consumer could save over $50 million during the first year of operation compared to what he would have paid had the project been completed at the targeted amount. The dollar amount of the annual savings will decrease in subsequent years as the plant is depreciated.

RELOCATING EMPLOYEES

Senator McClure. You have indicated that should financing be arranged and staffing be undertaken in fiscal year 1984, you will have to relocate approximately 20 new employees from the lower 48 States to Alaska. This, of course, has added significantly to your proposed budget. The State of Alaska currently has 12½ percent unemployment rate, and the Alaska Governor's office reports this figure will likely get higher over the next 18 months. He has further reported to me that he felt a very large, though indeterminate, number of these unemployed are engineers.

In this light, why do you feel it is necessary to have to relocate so many of the new employees you expect to hire?

Mr. Rhett. Because of the need for special skills. Although, that number, out of 150 people, is not—when you are trying to assemble for

a job like this—really that big. The petroleum engineers, the type of people we are hunting for, are not the type currently unemployed in Alaska.

One thing that we do not plan to do, as a result of a series of studies, is to hire the administrative and support staff in Washington and then move them to Alaska. Next time we do not plan it that way. Next time we plan to build up in Alaska, to try to get our administrative skills there.

But we will take petroleum engineers any place we can get them—even Saudi Arabia.

Senator McCLURE. Now there are more available than is customarily the case. As I understand it, there are some 3,000 engineers in all categories in Alaska. I do not have the exact breakdown as to how many of those are unemployed or partially employed, but I suspect there are fewer of them employed now than there were before.

The reason I mention that is, rather obviously, we would like to keep the costs down on relocation expenses. The Governor's office in Alaska is anxious that those people who are currently there unemployed be given the first opportunity to be employed rather than bring somebody else in from outside.

Mr. RHETT. I think we can assure that. If any skill is available up there, we are not going to hire down here. There are any number of reasons. It is also to our advantage.

If you hire somebody from Virginia and you take him to Alaska, you have to teach him how to be cold. [Laughter.]

Senator McCLURE. He reacts rather automatically to that. I even have one in Idaho who is complaining about it. He came from Virginia. Based upon his expressed attitudes, we hope he goes back to Virginia. [Laughter.]

Finally, you provided for the record last year a cost breakdown of the major functions of each of the budget categories as well as a breakdown of the costs to operate each of your offices.

Can you please provide similar information for the record and include 1982 actual and 1983 and 1984 projected amounts?

Mr. RHETT. Yes, sir.

Senator McCLURE. Also, when listing the field offices, please treat each Alaska office as a separate office.

Mr. RHETT. Yes, sir.

[The information follows:]

OFI BUDGET BY OFFICE LOCATION AND ORGANIZATION, FISCAL YEAR 1982–84

The budget estimates and accounting reports are based strictly on the agency's organization, which cuts across office locations; the budget by office location does not, therefore, represent an exact breakdown of costs. Also, prorating central support costs, which occurs with either an organizational or geographical breakdown, further impedes exact accounting. While there are many ways to break down these costs, OFI will continue to assess its overall operations to insure that it is structured as efficiently as possible.

For most of fiscal year 1983 and fiscal year 1984 (until the remobilization), the Fairbanks and Irvine staffs will be liaisons of the Anchorage office. Technically, the costs

of both offices for this period of time could be added to the Anchorage office cost. This is because the Anchorage staff, without these liaisons, would have to travel regularly to Irvine and Fairbanks where Northwest Alaskan and the State of Alaska (Fairbanks only) have their main offices for pipeline matters.

OFFICE LOCATION

	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984
Washington, D.C	$6,233,000	$2,742,000	$2,600,000
Irvine, Calif	6,890,000	1,290,000	3,108,000
Anchorage, Alaska	1,780,000	1,047,000	2,457,000
Fairbanks, Alaska	1,287,000	456,000	950,000
Omaha, Nebr	2,262,000	590,000	
San Francisco, Calif	251,000		
Total	18,703,000	6,125,000	9,115,000

ORGANIZATION

	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984
Executive direction and administration:			
Immediate office/FI	$262,000	$253,000	$211,000
General counsel	330,000	228,000	210,000
External affairs	235,000	80,000	130,000
Policy analysis	73,000		41,000
Director's office/administration	233,000	145,000	157,000
Contracts management	214,000	200,000	155,000
Financial management	477,000	257,000	255,000
Personnel	178,000	168,000	211,000
Management information systems	93,000	152,000	98,000
Support services	256,000	181,000	193,000
Internal audit	108,000	57,000	65,000
Subtotal	2,459,000	1,721,000	1,726,000
Audit and cost analysis	694,000	294,000	495,000
Engineering	6,883,000	961,000	2,394,000
Environment	540,000	238,000	284,000
Field surveillance:			
Alaska offices	1,523,000	887,000	1,086,000
Omaha office	805,000	464,000	
San Francisco office	185,000		
EEO	243,000	160,000	196,000
(Permits and compliance)	306,000	164,000	201,000
Subtotal	3,062,000	1,675,000	1,483,000
Central support	5,065,000	1,236,000	2,733,000
Total	18,703,000	6,125,000	9,115,000

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you very much for your testimony this afternoon, Mr. Rhett.

The committee will have further questions to submit to you for answers in writing.

Mr. RHETT. Yes, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Status of Project Financing

Question: Please briefly outline for the Committee the current status of the financial arrangements for the project. How much financial commitment is necessary to begin construction, and how much is now in place?

Answer: In late April 1982, the sponsors announced that Phase II of the Alaska Natural Gas Transportation System would not be completed until 1989. The sponsors announced this delay because existing financial and energy market conditions prevented them from arranging financing in time to meet the earlier completion schedule. While the producers and the sponsors are continuing to explore various options which might facilitate financing--such as tariff levelization--the ability to obtain financing for the project will continue to depend upon conditions in the financial and energy markets.

Both the amount of financing commitment that will be necessary to begin construction and the total amount required to complete the project are heavily dependent upon prevailing interest and inflation rates. These rates vary greatly over time, and thus the required commitments will also fluctuate.

Fiscal Year 1983 Budget

Question: If project completion does slip another year or more, do you anticipate making any further downward adjustment in the fiscal year 1983 budget and in your current personnel level?

Answer: We do not plan to revise our FY 1983 budget in response to any further changes in the current construction schedule. The $6,125,000 budget is based on a level of work that would remain relatively constant even if the completion date for the pipeline is slipped beyond 1989-90. The budget reflects the minimum level of effort needed to wrap up the oversight of the Eastern Leg prebuild segment and complete the review of engineering and environmental design criteria and plans submitted by the sponsor; it also incorporates the scaling back of agency operations and staffing to a core level by the end of the fiscal year. While it is possible the number of filled positions may drop below our end-of-year projection of 43, we believe any such variance would be too insignificant to require a major budget adjustment.

Eastern Leg Compliance Evaluation

Question: During fiscal year 1982, OFI conducted an evaluation of its oversight efforts on the Eastern Leg in order to refine its Compliance Management Manual setting forth agency policies and procedures on all enforcement matters. Briefly, what were the results of this evaluation?

Answer: Since last fall, the Office of the Federal Inspector (OFI) has been reviewing its experience during construction of Phase I of the Alaska Natural Gas Transportation System to determine what improvements could be made for the oversight of Phase II, both in Alaska and the lower 48. The review is basically completed, but the written reports are not yet finished. We expect the reports to be completed by late summer. The conclusions developed from the review are being used to revise the OFI's policies and procedures for construction oversight and to

make some organizational and other refinements when the project accelerates. A significant number of the policies and procedures are contained in our Field Compliance Manual. Our plan is to complete the revision of the manual by the fall of 1983.

Our review indicated that OFI successfully implemented the responsibilities it was charged with in the Alaska Natural Gas Transportation Act (PL 94-586), the President's Decision and Report to Congress, and Reorganization Plan No. 1 of 1979. These responsibilities include: monitoring compliance with applicable laws and terms and conditions; monitoring the project to assure its timely completion and the achievement of quality construction, cost control, safety, and environmental protection; and keeping the President and Congress informed about the project. Successful implementation of these responsibilities was demonstrated by the fact that both the East and West Legs were constructed basically on schedule and within budget, with proper attention to Federal requirements and quality during construction, and with no significant adverse environmental impacts. In addition, the Congress was kept currently informed on all matters concerning the pipeline through OFI's quarterly reports to the Congress and regular briefings and discussions with Members of Congress and their staffs.

Although, overall, OFI has been successful in implementing its statutory charges, the review of our Phase I construction oversight identified a number of refinements we could make to produce even better results on Phase II of the project. The major refinements and conclusions identified in our review are listed below:

- OFI's Eastern Leg organization, policies and procedures were basically sound and, with some adjustments, could serve as the model for our Alaska Leg oversight. The adjustments include using more people in the field in Alaska because of the greater number of construction problems that are likely to occur there, and improving and expanding our policies and procedures (Field Compliance Manual).

- OFI will make some changes in its filing and retrieval system, basically modifying it to be more responsive to the needs of specialized and remote offices.

- Some of the OFI's field documents will be simplified.

- OFI will automate its inspection planning and reporting process to handle the higher volume of oversight activity expected in Alaska.

Reductions-in-Force

Question: You have recently undergone a reduction-in-force (RIF) of some 30 people, bringing your total personnel level to about 47. Your revised 1983 budget with respect to personnel benefits was based on the premise that approximately half of those "RIFed" would claim severance benefits. What has in fact been your actual experience with respect to the percentage of people claiming severance benefits as opposed to those utilizing reemployment rights?

Answer: Of the 61 full-time permanent employees who were issued RIF notices since September 30, 1982, 19, or 31.2 percent, have opted to exercise their reemployment rights, and 24, or 39.3 percent have claimed severance benefits. The remaining 18 employees (29.5 percent) either retired or found other jobs. It should be noted that while only 19 of

the 61 returned to their "parent" Federal agency, the actual number of "RIFed" employees now working for the Federal government equals 33, or 54 percent of the total 61. The additional 14 employees did not use reemployment rights to secure other Federal employment; they simply transferred to different Federal agencies.

Relocation of EEO Office

Question: Why did you initiate the move of the Office of Equal Employment Opportunity to Alaska before you even knew whether or not construction will pick up in late 1984 or 1985?

Answer: Due to the slip in the scheduled completion date for Phase II of the system, OFI decided to reduce its staff in every program area, including the Office of Equal Employment Opportunity and Minority Business Enterprise (EEO/MBE). Thus, after March 31, 1983, OFI planned to retain only the Director of that office.

Because construction in the lower 48 States had been completed, with remaining work there consisting of some final actions and evaluations of the prebuild experience, it was decided that the EEO Director's efforts should be concentrated primarily on planning for the Alaskan construction. Thus, in early 1983, the Director was transferred to Alaska and placed under the supervision of the Deputy Federal Inspector for Alaska.

Our EEO Director was uniquely qualified to gather and assess the information necessary to develop plans for Phase II construction in Alaska. He had extensive experience with Alaskan minority, employment, and labor issues and was familiar with the Trans-Alaska Pipeline System construction. Besides having direct responsibility for Minority Affairs in a number of positions, he had been Commissioner of Labor for the State of Alaska and Business Manager of a labor union. The Director was transferred to Alaska to provide the sustained contact with the various Alaskan groups necessary to:

- gather baseline information on training needs and develop a proposed methodology for determining the precise amount and kinds of training that will be necessary for Phase II construction;
- develop recommendations for improving counseling services and complaint processing;
- establish guidelines for data gathering and reporting activities;
- develop recommendations for improving procedures for establishing MBE participation goals; and
- strengthen labor liaison activities.

When the Director resigned, OFI no longer had any employees with the background required to address Alaskan labor, training, minority business and equal opportunity issues adequately. To assure that overall EEO/MBE responsibilities continue to be fulfilled, OFI assigned EEO/MBE to its General Counsel. The General Counsel has provided all legal counsel in this area and is very familiar with the program; however, because he is primarily responsible for the operation of the Office of General Counsel in Washington, and also lacks the extensive knowledge required to fully pursue Alaskan issues, OFI decided that he should remain in Washington, D.C. While it was to the project's advantage to pursue this area

as long as the skills and background were available, with the departure of our EEO Director, we do not plan to hire a new employee for this work until the project remobilizes.

FY 1984 Interagency Agreements

Question: During 1984, you plan to contract with a number of Federal agencies--including the Corps of Engineers, EPA, GSA, and the Department of the Interior--for a variety of services. Are these contracts made on a totally reimbursable basis or do these agencies foot the bill for some or all of the services they provide?

Answer: All of the interagency agreements or Memoranda of Understanding planned for FY 1984 with other Federal agencies are strictly on a reimbursable basis; the OFI will pay for all of the services they render on its behalf.

FY 1983-84 Contracts

Question: For the record, please list all contracts made in FY 1983 and proposed for FY 1984, and include the name and location of each company or agency contracted with, a description of the work to be performed, and the dollar amount of each contract.

Answer: Listed below are the contracts already in effect for FY 1983 and planned for FY 1984, the actual or estimated amount for each contract, and the name and location of the contractor, if identified.

FY 1983

Contractor/Agency	Description of Work	Obligated Amount
1. General Services Administration Washington, DC	° Personnel and accounting .... support.	$ 91,000
	° Management evaluation of .... the OFI's EEO/MBE program on the prebuild segments.	60,000
2. Main Hurdman New York, NY	Audit of construction costs ... on the Eastern and Alaskan Legs.	56,787
3. H.H. Shatto, Inc. Laguna Beach, CA	Analysis of selected Alaska .... Gas Conditioning Facility designs and plans.	1,555
4. Army Corps of Engineers Washington, DC	Analysis of cold regions ..... engineering problems.	200,000

5.	Department of the Interior:		
	° Office of Aircraft Services Boise, ID	Air transportation to remote field sites.	38,000
	° Bureau of Land Management Billings, MT	Assistance with field enforcement on the Eastern Leg.	2,000
	° National Park Service Denver, CO	Assistance with cultural resource preservation on the Eastern Leg.	25,000
6.	Department of Agriculture/Forest Service Portland, OR	Assistance with field enforcement on the Western Leg.	1,000
7.	Environmental Protection Agency Seattle, WA	Personnel detail/Acting Director, Office of Environment.	80,000
8.	Department of Transportation/Materials Transportation Bureau Washington, DC	Assistance with oversight of pipeline safety.	30,000
		Total, FY 1983	$585,342

FY 1984

Contractor/Agency	Description of Work	Estimated Amount
1. General Services Agency Washington, DC	Personnel and accounting support.	$ 115,000
2. Army Corps of Engineers Washington, DC	Analysis of cold regions engineering problems.	200,000
3. Department of the Interior Anchorage, AK	Assistance with enforcement activities and air charter services in Alaska.	125,000
4. Northwest Alaskan Fairbanks, AK	Use of camp facilities & vehicles by field staff.	75,000
5. Environmental Protection Agency Seattle, WA	Personnel detail/Acting Director, Office of Environment.	90,000
6. Not yet identified	Audit of construction costs incurred on Alaskan Leg.	160,000

7.	Not yet identified	Analysis of selected engineering costs for use in reviewing final certificate application.	100,000
8.	Not yet identified	Assistance with technical reviews of pipeline design and construction activities.	1,200,000
9.	Not yet identified	Analysis of selected Alaska Gas Conditioning Facility design and plans.	250,000
10.	Not yet identified	Automated data processing services.	500,000
		Total, FY 1984	$2,815,000

SUBCOMMITTEE RECESS

Senator McCLURE. We appreciate your testimony. The subcommittee will stand in recess until 9 a.m., Tuesday, April 19, when we will review the fiscal year 1984 budget request for the U.S. Fish and Wildlife Service.

[Whereupon, at 3:30 p.m., Thursday, April 14, the subcommittee was recessed, to reconvene at 9 a.m., Tuesday, April 19.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 19, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:05 a.m., in room SD–124, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

FISH AND WILDLIFE SERVICE

STATEMENT OF ROBERT A. JANTZEN, DIRECTOR

ACCOMPANIED BY:

F. EUGENE HESTER, DEPUTY DIRECTOR
ROBERT E. PUTZ, ASSOCIATE DIRECTOR, WILDLIFE RESOURCES
ROBERT E. GILMORE, DEPUTY ASSOCIATE DIRECTOR, NATIONAL WILDLIFE REFUGE SYSTEM
JOSEPH H. KUTKUHN, ASSOCIATE DIRECTOR, FISHERY RESOURCES
JOHN L. SPINKS, CHIEF, OFFICE OF ENDANGERED SPECIES
HAROLD J. O'CONNOR, ASSOCIATE DIRECTOR, ENVIRONMENT
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EDWARD J. DAVIS, ASSISTANT DIRECTOR, ADMINISTRATION
EDWIN A. VERBURG, ACTING ASSISTANT DIRECTOR, PLANNING AND BUDGET
KRISTINE MARCY, DEPUTY DIRECTOR, OFFICE OF BUDGET
THOMAS PARISOT, DEPUTY ASSOCIATE DIRECTOR, FISHERY RESOURCES

BUDGET REQUEST

Senator MCCLURE. Good morning.

This is the time scheduled to review the fiscal year 1984 budget request for the Fish and Wildlife Service, excluding the land acquisition program which will be reviewed on Wednesday, April 27.

For fiscal year 1984, the Sevice is requesting an appropriation of $266,500,000, a reduction of $27,112,000, 9 percent, from 1983 appropriations to date. In terms of personnel, this is a reduction of 95 full-time-equivalents, down 2 percent from 1983 appropriations to date. The

Service also has a fiscal year 1983 pay supplemental of $1,530,000 pending before the committee.

The lead witness today will be Mr. Robert Jantzen, Director of the Service. And we are happy to welcome Mr. Jantzen before the committee again.

If you would introduce the people at the head table with you, we will proceed directly to questions after having put your statement in the record.

INTRODUCTION OF ASSOCIATES

Mr. JANTZEN. Thank you very much, Mr. Chairman.

On my far right, and your far left, is Dr. Joseph Kutkuhn, who is the Program Manager and Associate Director for Fishery Resources and Construction.

Next to him is Dr. Robert Putz, who is the Program Manager for wildlife resources.

On my immediate right is Dr. Eugene Hester, who is Deputy Director of the Fish and Wildlife Service; and on my left is Dr. Edwin Verburg, who is the Assistant Director, planning and budget.

Next to him is Mr. Harold O'Connor, who is the Program Manager for habitat resources.

Next to him is Dick Smith, who is the Program Manager for research and development.

And at the far end of the table, on your far right, is Mr. John Spinks, who is acting for Mr. Ronald Lambertson, Program Manager for Federal assistance and endangered species.

PREPARED STATEMENT

Senator MCCLURE. Before you start we will place your prepared statement in the record.

Mr. JANTZEN. Thank you.

[The statement follows:]

STATEMENT OF ROBERT A. JANTZEN

Mr. Chairman, I appreciate the opportunity to appear before you this morning to discuss the President's proposed fiscal year 1984 budget for the U.S. Fish and Wildlife Service. This is the third Fish and Wildlife Service budget to be submitted to Congress under the administration of President Reagan and Secretary Watt and the second that I have participated in since becoming Director of the agency. Given the overall condition of the economy, I am pleased with the overall direction of this proposal.

Secretary Watt has recently submitted to the President the 1982 annual report of the Department of the Interior, entitled "A Year of Progress: Preparing for the Twenty-First Century." In the report, Secretary Watt notes that "the theme of 1981 was change; the theme of 1982 has been progress." I strongly echo the Secretary's observation with regard to the Fish and Wildlife Service's 1982 program. During FY 1983 and FY 1984 I believe the Service will continue to make substantial strides toward achieving the dual objective that has governed this Administration's philosophy of natural resource management. This philosophy emphasizes being good stewards of our natural resources and good neighbors to the States. To be good stewards we must properly manage the resources under our care before we can expand our responsibilities. Taking care of what we have is a major theme of our FY 1984 budget proposal. New initiatives such as the Accelerated Refuge Maintenance and Management Program and the Capital Development and Maintenance Program are designed not only to halt deterioration in existing habitats and facilities but also to make more efficient use of those lands and facilities for the public and the fish and wildlife resources under our care.

Before turning to an explanation of the FY 1984 budget, I would like to briefly recap some of our accomplishments over the past year.

During 1982, the Service completed the National Waterfowl Management Plan that establishes goals and objectives for cooperative State-Federal actions on conserving waterfowl. We are currently developing the implementation strategies for the plan and in doing so are coordinating closely with our Canadian neighbors to the north. In addition to improving the existing management framework, the Service continued to make progress in its efforts to protect waterfowl and other wildlife habitat through acquisition and other means. Approximately 86,000 acres of wetland habitat for migratory birds has been purchased in the last two years, largely from funds received from the sale of Migratory Bird Hunting and Conservation Stamps.

The private sector also has a substantial contribution to make in the conservation of fish and wildlife habitat. A good example of this is the National Wetlands Conservation Project, a five-year, $50-million private - public effort recently announced by the Nature Conservancy and the Richard King Mellon Foundation. In order to encourage this type of cooperation, Secretary Watt along with former Governor of Alabama Fob James, is co-chairing a special task force know as POWDR (Protect our Wetlands and Duck Resources) made up of representatives of Federal and State governments, private organizations and corporations.

In another area related to habitat conservation, the Fish and Wildlife Service participated with the National Park Service and the U.S. Geological Survey in the development of a proposal submitted by the Department to Congress in August 1982 for the designation of undeveloped coastal barriers along the Atlantic and Gulf coasts. This action, taken in response to the Omnibus Budget Reconciliation Act of 1981, represented a significant new level of information regarding coastal barriers and, I believe, served as the basis for final deliberations of this Subcommittee and Congress on the Coastal Barrier Resources Act.

Another major area of accomplishment has been the encouragement of compatible uses of refuges as authorized by the National Wildlife Refuge System Administration Act. Increased revenues generated from economic activities under

the National Wildlife Refuge Fund will be returned to counties as revenue sharing payments.

Ecological map inventories of coastal fish and wildlife resources inhabiting the Gulf of Mexico and the Pacific Coast and detailed wetland inventories for 240,000 square miles of the lower 48 States and 10,000 square miles of Alaska have been completed by the Service. Added to the earlier completed Atlantic Coast inventory, these will be particularly useful to Federal and State agencies and the private sector in planning major developments in these coastal areas.

Excellent progress was made in developing plans for the recovery of threatened and endangered species in 1982 -- 76 draft recovery plans were prepared and 38 final plans were completed. During 1981 and 1982, the Service reviewed or approved 160 recovery plans for endangered species -- 160% more than it had handled during the previous four years. The Service also completed the United States' 10-year review of wildlife and plant species in Appendices I and II of the Convention on International Trade on Endangered Species of Wild Fauna and Flora (CITES) to insure that trade regulations for all listed species are appropriate and to evaluate the effectiveness of the treaty. In addition, 65 violators have been criminally prosecuted and fined a total of $156,000 as a result of the 1981 "sting" operation to halt illegal trafficking in wildlife. Another 37 civil penalty cases arising from the sting operation have been settled resulting in the assessment of another $56,000 in civil penalties.

Another significant advance for endangered species occurred recently when the DuPont Company made a major grant to the Service's bald eagle breeding program at the Patuxent Wildlife Research Center. The grant will enable the Service to more than double the number of eaglets released to the wild each year.

During 1982 we also realigned management responsibilities in the agency by closing 18 area offices and transferring the funds and staff located there to field stations and regional offices. This change will help to eliminate an administrative layer in the Service's management structure that has long been criticized by Congress and the conservation community. In 1982 the Service also began to reorganize its Law Enforcement program to streamline management. Twelve District offices that provided field management of the program were reduced to 7 and were relocated in Regional Offices.

Let me turn now to the budget for FY 1984. Under our proposal discretionary spending for the agency under the Resource Management appropriation would be increased $3.3 million from the FY 1983 appropriation of $242 million. There would be a request for a FY 1984 construction appropriation of $14.4 million and no funding for land acquisition activities. We estimate permanent trust funds will increase by $35.7 million, which would bring the total Service budget to $476 million, an increase of $7 million over FY 1983.

At this time, I would like to highlight the most significant changes proposed for fiscal 1984.

Wildlife Resources

In conjunction with this Administration's focus on good stewardship of our natural resources, in FY 1984 we are proposing a major new initiative for the rehabilitation of the National Wildlife Refuge System. The Service has a $1.9 billion capital investment in refuge facilities and equipment. The rising costs of materials, supplies, labor and energy have led to a prolonged deferment of needed maintenance at most refuges. The result has been an accelerated deterioration of facilities and equipment, especially water management facilities that represent nearly half of the capital investment. Subsequent adverse impacts on habitat and wildlife benefits have been considerable.

To address this situation we are proposing to increase by $14.6 million the FY 1983

appropriation of $73.8 million for refuge operation and maintenance funds to undertake a new initiative, known as Accelerated Refuge Maintenance and Management (ARMM). These funds, added to an increase of $2 million under the refuge portion of the Construction appropriation, will permit us to rehabilitate and restore facilities and improve resource protection and management on over 215 individual refuges and 5 wetland management districts in 46 states. Improvement of roads, water control structures and wildlife habitat are just a few of the projects to be under taken.

Under Secretary Watt, the Department is vigorously pursuing a "good neighbor policy" with the States. The objective of this policy is to promote cooperation and consultation between the Federal and State governments in the management of nationally important resources and to make the impact of Federal management less burdensome to the States. A corollary objective is to realign program responsibilities so that the Federal government and the States are managing resources for which they are responsible. One of the areas in which the Federal presence should be lessened is in certain aspects of animal damage control field operations. Consequently, we are proposing a decreased of $1.4 million in FY 1984 for activities related to control of damage by resident wildlife species. This reduction is consistent with our belief that States should assume greater responsiblity for field operations related to those species. However, the ADC operations budget still totals $10.4 million. The Service will continue to provide technical assistance and will maintain its current level of activity on Federal lands and for those species for which a Federal responsibility exists. The Service will also continue to provide technical assistance to government agencies and individuals for the control of a variety of wildlife damages. We are proposing the closure of 2 research field stations at Olympia, Washington and Bend, Oregon that deal principally with small mammal damage to forests. This will result in the reduction of $297,000 in ADC research.

The second decrease in the Wildlife Resources program involves a reduction of maintenance at three research laboratories ($760,000). Funds provided in FY 1983 for maintenance of the Northern Prairie Wildlife Research Center and the Patuxent Wildlife Research Center ($560,000) were used to conduct maintenance activities which had been defered in prior years. In FY 1984, however, these funds are not needed at those labs and have been allocated to continue operations at the newly-renovated facility at the National Wildlife Health Laboratory in Madison, Wisconsin. Furthermore, additional funds provided in FY 1983 for maintenance at the Denver Wildlife Research Center ($200,000) reduced the backlog of unmet needs to an acceptable level at that facility. There are no additional, specific, high priority needs at this facility that are anticipated in FY 1984 which cannot be met by the current level of maintenance funding.

Endangered Species

When dealing with the protection of threatened and endangered species, it is not sufficient to merely compile list upon list of species that need help, without taking positive steps to enhance chances for their recovery. Congress has wisely recognized this fact and in recent amendments to the Endangered Species Act mandated development of recovery plans for listed species. The Fish and Wildlife Service strongly supports this Congressional mandate and in 1981 and 1982 began an accelerated effort to develop and implement these plans. The Service is proposing to continue this effort in the FY 1984 budget and has requested an increase of $930,000 for development and implementation of recovery plans for some 40 species, including the black-footed ferret, the grizzly bear, manatee and bald eagle. Funding levels included in the FY 1984 budget proposal related to recovery efforts for the peregrine falcon and California condor will continue the progress made over recent years without a need for additional funding. Our emphasis on recovery, however, is coupled with continued attention to listing activities. The 1982 amendments to the Endangered Species Act that streamline listing requirements will help to expedite this process. Our plans are to act on some 60 species in FY 1984. This compares with 34 species in FY 1982 and 50 species in FY 1983.

A decrease of $987,000 in endangered species law enforcement activities is proposed, but this reflects our intent to emphasize large, more important cases, as opposed to involvement in smaller cases. Our new policy is to shift emphasis to major investigations involving organized crime, and away from smaller cases involving the uninformed public. Within the FY 1983 funding level, we are responding to the Committee's directive to maintain a force of 200 law enforcement agents. After a review of our requirements, we determined that the number of agents can be reduced in FY 1984. However, the proposed level is adequate to insure the Service's responsibilities can be met in FY 1984. We think that this approach will be more cost-effective, but at the same time will continue to provide the type of deterrent needed to reduce illegal trade in endangered species products.

Finally, the decrease of $2 million for the state grant-in-aid program reflects our belief that states should assume greater responsibility for the conservation of their own resident species. However, we will continue our policy of close cooperation and consultation with states regarding activities such as listing, designation of critical habitat, and development and implementation of recovery plans.

Fishery Resources

The proposed FY 1984 fishery program provides for a decrease of approximately $3.6 million reflecting the closure or transfer of 24 fish hatcheries. Reductions are in several categories. Four hatcheries are proposed for transfer to the Bureau of Indian Affairs to accomodate essential fish production requirements on Indian lands ($913,000). We are also proposing the closure or transfer to states of 20 fish hatcheries that produce fish that are low priority in terms of Federal management responsibilities ($2,652,000). As we have testified before Congress previously, it is our belief that the states should assume responsibility for operating those hatcheries which are not directly supportive of Federal statutory or treaty responsibility. Increased funds ($195,000), however, are provided for the operation of new hatchery facilities for high priority fish species. These include facilities constructed at Litchfield, New Hampshire and Sunderland, Massachusetts for the restoration of Atlantic salmon and the facility at Bear Bluff, South Carolina to initiate or expand high priority production of Atlantic sturgeon and striped bass. Funds are also provided ($510,000) to continue collection and analysis of fishery resource baseline data essential in comprehensive planning on Alaska refuges, as required by the recent Alaska lands legislation.

Habitat Acquisition

While we will continue to acquire lands with funds from the Land and Water Conservation Fund, as provided for in the FY 1983 Interior Appropriations bill, we are not requesting any appropriations for LWCF land acquisition in FY 1984. However, in conjunction with Secretary Watt's concern for wetlands conservation we are proposing that the price of the duck stamp be raised from $7.50 to $15.00, which would permit us to preserve an additional 16,730 acres of essential migratory waterfowl habitat for a total acquisition program under the Migratory Bird Conservation Fund of 47,030 acres in FY 1984. Draft legislation increasing the price of the Duck Stamp will soon be submitted to Congress for review and action. In addition, we will request extension of the Wetlands Loan Act, which expires this year.

Habitat Resources

Overall, the habitat resource program reflects a decline of approximately $6.3 million from FY 1983. Approximately 73% of this reduction ($4.6 million) is a result of our proposal to eliminate funds for Cooperative Fish and Wildlife Research Units. The Cooperative Research Unit Program was established in cooperation with States and universities to provide graduate training, research, and technical assistance at a time when there were few graduates in the fish and wildlife field. Enrollment in natural resource disciplines has increased significantly

now and graduate training can be provided by the universities. Furthermore, many States have increased their capability in fish and wildlife research. Therefore, termination of our participation in the Unit Program is consistent with the Administration's thrust for increased reliance on the States to assume responsibilities within their capabilities.

Other decreases in the habitat resources programs include reductions in field operations ($833,000) for investigations of contaminant monitoring and coal mining operations, and reductions in the minerals program. However, the Service recognizes the need to continue the rapid development of the Nation's energy and natural resources in a manner compatible with fish and wildlife conservation and will continue to provide essential technical assistance concerning conservation of fish and wildlife resources on a reimbursable basis to other Federal agencies that engage in these types of development activities. We are also recommending a decrease of approximately $1.4 million for research and development activities related to habitat resources. This involves research related to the impacts of minerals development and agricultural chemicals on fish and wildlife and research on biological indicators of the effects of contaminants on fish and wildlife. The Service will place increased reliance on universities, private industry and reimbursements to provide needed information. For instance, the assessment of impacts from agricultural chemical uses should be placed on the chemical industry since it is required by existing legislation, such as the Federal Environmental Pesticide Control Act of 1972, to perform extensive testing prior to marketing chemicals.

Construction and Anadromous Fish Grants

The fiscal 1984 request of $14.4 million under the Service's Construction appropriation will continue the Secretary's initiatives to restore and rehabilitate facilities of the National Wildlife Refuge System ($7.6 million) and provide for major repairs at high priority National Fish Hatcheries ($1.8 million) and research facilities ($1.6 million). The budget proposal also provides for increased emphasis on Dam Safety, directing $1.5 million for technical engineering investigations of eight dams and remedial repairs at seven other dams requiring immediate corrective action. The Service is also recommending an increase of $1.9 million to establish a new program, known as the Capital Development and Maintenance Management program, to design and implement a computerized system for identifying and managing capital development and maintenance needs and to initiate advance planning for future construction projects.

Under this appropriation we are also recommending elimination of funds for Anadromous Fish Conservation grants to the states and non-Federal entities. Congress added $3.5 million for this purpose in FY 1983 to assist states in efforts to enhance and restore anadromous fish populations through interstate cooperation. Since the purpose of these grants has been accomplished, we believe that further use of Federal funds is inappropriate.

Permanent and Trust Funds

Finally, Mr. Chairman, the total for Permanent and Trust Funds, other than duck stamps and the Lower Snake River Compensation fund will increase by slightly over $24.5 million. Of this increase slightly over $8 million is for Federal Aid to Fish Restoration while over $16.5 million is for Federal Aid to Wildlife Restoration.

Mr. Chairman, while reductions have occurred in some program areas, changes that have been made in the Service's organizational structure have improved our efficiency in the use of available funding and personnel. These changes have been consistent with the Administration's thrust to reduce Federal spending, provide responsible stewardship for fish and wildlife resources on Federal lands, and place a greater reliance on States to assume responsibilities for resources within their jurisdiction.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions.

CONGRESSIONAL DIRECTION

Senator McCLURE. Thank you very much, Mr. Jantzen.

Before we turn to your fiscal year 1984 budget request, we need to review some testimony from last year's hearing. As you may recall, your proposal last year was to close certain facilities or to terminate certain programs during the current fiscal year, rather than to wait for congressional action on your proposals. You wanted to get a headstart in making changes before Congress could review your proposals and take action.

If you will review last year's hearing record, you will remember that I objected to your proposed hatchery closure procedure, and you responded as follows. I'll quote from the record:

Mr. Chairman, we don't plan to take any action without further consultation with the Congress, that is the results of congressional deliberation on the budget proposal itself. We are in the planning mode right now. In order to close facilities on October 1, 1982, as called for in the President's budget, a number of actions must be implemented in fiscal year 1982. As part of the President's budget we must plan for all program proposals. We have not taken any action, nor would we do so, without consulting further with the Congress. We hope that Congress would inform us of their wishes in this regard.

I went on to say that the only way I knew to make a change in the operations provided for in the appropriations bill that would fit this circumstance would be through a reprograming proposal.

In response to Senator Byrd's questions, you then agreed that a fish hatchery of particular interest to him would remain open unless the committee approved a reprograming request.

Do you remember that exchange?

Mr. JANTZEN. Yes, sir, I do. That was the Bowden Fish Hatchery.

COOPERATIVE RESEARCH UNITS

Senator McCLURE. I'll note in passing that the Congress eventually agreed to a number of the proposals you put forth last year. You held to your end of the bargain, that is, you did not attempt to close those facilities or programs prior to congressional action, and we gave you and your proposals the serious consideration they deserved.

However, we are in the same position again this year regarding a few programs. For example, in a letter to all cooperative research unit directors signed by yourself on February 23, 1983, you advised them as follows, and, again, I quote:

As presented in the fiscal year 1984 budget, it is our intention to terminate the existing program by September 30, 1983. There will be no further additions of personnel to the cooperative units through hires or internal agency reassignments. During the remainder of the year, we will attempt to place as many of the unit staff as possible in other areas of the Fish and Wildlife Service.

However, please be aware that the Service anticipates few vacancies. We, therefore, encourage you to offer unit personnel positions within your organization, if possible. The cooperative agreements, if activated, will provide funding that can be used for this purpose. General notices will be sent to unit personnel no later than August 1, 1983. This notice will indicate our intention to separate unit personnel from the Service at the end of the fiscal year, unless they are placed elsewhere within the Fish and Wildlife Service.

I understand that you have recently received a letter signed by me, restating my objection to this type of procedure and insisting that "any significant changes in the operations of the unit program * * * receive approval of this subcommittee prior to being implemented."

Why are we going through this discussion again this year?

Mr. JANTZEN. Mr. Chairman, I think the letter sets the stage for my answer, in pointing out that the President's 1984 budget submission does not consider any funding for the cooperative research unit program.

In the event that Congress restores funding to the co-op program in fiscal year 1984, as they did this fiscal year, it is our intention to operate that program in accordance with Congress wishes through an annually negotiated agreement with the individual cooperators but without participation by Federal employees.

As I understand the governmental reduction-in-force procedures, it is our obligation to advise any of our employees that may be affected by the facility closures of the possibility of a reduction-in-force which might occur at the end of the fiscal year.

The letter of general intent, does not, in itself, constitute an action that would affect the employment of an individual, but it does put them on notice and is required by personnel regulations. That was the reason for indicating the possibility for future employment separation in the letter.

We also tried to point out to the cooperators that should funds become available through congressional action, that cooperators may use those funds to continue employment.

Senator MCCLURE. Is this something that was proposed by the Fish and Wildlife Service, or was this the result of the budget review? Did you request money for the co-op units for fiscal year 1984?

FISCAL YEAR 1984 BUDGET ALTERNATIVES

Mr. JANTZEN. In the preparation of the fiscal 1984 budget, we did consider co-op units in the formulation of our budget proposal.

Senator MCCLURE. If I look at your request to the Department, you ask for $12,022,000 for research and development. And just below that, in habitat resources under co-op units, is zero; is that correct?

Mr. JANTZEN. Yes, sir. as I said, in formulating our 1984 budget we did consider co-op units. However, in the further review and finalization of that budget, and considering all programs and the available funding, co-op units dropped out.

Senator MCCLURE. You can't say OMB directed this, it was your own decision.

Mr. JANTZEN. Yes, sir, as part of the review process.

Senator MCCLURE. I am not opposed in principle to some reorganization of the co-op system that could be agreed upon by all parties, and particularly if all parties agreed that that change is an improvement. Do the cooperators have suggestions that we should be considering as we look at this change in relationships?

Mr. JANTZEN. Mr. Chairman, we have examined, in fact, we have some experience with the combined co-op units, at three different locations.

Originally, the program started off with the wildlife cooperative research units, and then more recently, fisheries research units were added. In some cases they would be located on different campuses in the same State, or in some cases on the same campus but within different departments at the same university.

Our recent experience with the combined unit allows wildlife research as well as fisheries research to function under one unit leader. This provides a savings through streamlining the organization. Mr. Smith can provide more specific information on how those units are working. They seem to be accepted quite well.

We had looked at that possibility, in the event that there might be directions from Congress, or the Department. The Service does have some flexibility in reorganizing the program.

CO-OP UNIT REORGANIZATION

Senator MCCLURE. I'm looking more at what kind of an input are we getting from the cooperative units, in terms of suggestions they might have as to how we might change the operation of the units more than what you might be thinking about doing.

What have they said?

Mr. JANTZEN. Mr. Chairman, I would like to have Mr. Smith answer that question, please.

Mr. SMITH. I think we've received a mixed reaction, from combining the units where we have locations into one super unit: like the units in Florida, Mississippi, and Wyoming; to keeping everything as it is, and in some cases, having the units in different universities in the same State, like we have in Montana.

We've agreed to meet with the cooperators, or their representatives after the hearings to discuss what options we should pursue.

From where I sit, most of the cooperators will probably agree to having a combined type situation rather than eliminating the units all together.

Senator MCCLURE. Well, they may agree, but was that their suggestion?

Again, I'm trying to find out what their reaction is—not what you are telling them.

What are they saying to you?

Mr. SMITH. Most of those responding prefer the status quo.

Senator MCCLURE. They're just sitting there and saying, "Hey, whatever you do is OK with us."

Mr. SMITH. No; they're saying, "We don't want to lose the unit program."

Mr. JANTZEN. Mr. Chairman.

Senator MCCLURE. All right.

Mr. JANTZEN. If I might.

I met with a number of the cooperators at the recent North American Wildlife Conference. That meeting probably stimulated some correspondence to your office.

Senator MCCLURE. I've had some. I don't know what stimulated it, other than the fact they had read the budget.

Mr. JANTZEN. The letter to the cooperators, which we discussed earlier also added to the situation.

Senator MCCLURE. Yes.

Mr. JANTZEN. I think Mr. Smith's response is accurate. There is a mixed reaction as far as suggestions from the cooperators. There is a very strong feeling, on the part of some of the people, that the program should be left as is.

I think there is not a clear understanding that the present level of funding that Congress has provided does not really fund the current program. Appropriated funds have provided about 80 percent of the necessary level. Many of the cooperators don't understand that. Their suggestion is that it stay as is.

There have been others that have come into my office, over the last 12 or 15 months, that do understand the funding levels and have made some specific suggestions that the units be combined and streamlined in a regional concept. These are the more aggressive universities.

Senator MCCLURE. They are the ones who assume they would be the winners in that.

Mr. JANTZEN. Yes; no question about it. That is true.

Of course, we had to point out that there would be some losers. But it was a specific suggestion: "Let's streamline, guys, and we'll go after the bucks; we'll go after the program and we can provide the service."

Senator MCCLURE. Would I be correct in assuming that these units oppose your plan to eliminate the unit leader positions?

Mr. JANTZEN. Basically, yes. That is the reaction I received from the North American Wildlife Conference.

Senator MCCLURE. Why do they oppose that, especially if they get the equivalent dollars for their own research?

Mr. JANTZEN. When you say the unit leaders, Mr. Chairman——

Senator MCCLURE. Yes.

Mr. JANTZEN [continuing]. The unit leaders are Federal employees.

Senator MCCLURE. I understand that.

Is it the unit leaders, Federal employees, that are objecting and not the universities?

Mr. JANTZEN. Some universities have made inquiries as to how they could function under what we suggested in the letter. So, there is a mixed reaction.

MERIT OF CO-OP PROGRAM

Senator MCCLURE. Well, let's look at the merit of the proposal for a moment.

In your statement, you indicate that the units should be closed because they have served their purpose of training wildlife researchers at a time when there weren't many qualified researchers. Isn't it true, though, that the Service receives extraordinary value for its involvement in the co-op program? Don't we get something like $15 million worth of research accomplished for our $4.4 million investment?

Mr. JANTZEN. Mr. Chairman, there is a synergistic effect there. I think the removal of the Federal presence in the program would not impinge dramatically on the level of research work that could be accomplished at the universities.

Senator MCCLURE. I would suggest, then, that what you are assuming is that the level of research of these units will not decline because of the change that you are suggesting.

Mr. JANTZEN. The capability is at the university level now. That is why we believed that federally funded cooperative units have served their original purpose; to train people and stimulate interest in the program.

Senator MCCLURE. Do we establish research priorities as a practical matter through the unit leaders?

Mr. JANTZEN. Mr. Chairman, I can give you a generic answer. Mr. Smith will provide more specific information. I think it depends on the specific unit and the way the individual cooperators in that State handle that unit program. There is some variation between States.

Mr. SMITH. Mr. Jantzen is right. There are four cooperators involved with each unit. They meet annually to discuss problems of equal interest but also to set priorities as to the types of research to be done by that particular unit.

Senator MCCLURE. Is there a value to the Fish and Wildlife Service or to the Federal program in having the kind of direction that occurs because of the presence of the unit leaders, or is that going to be sufficiently guided and directed through annual meetings?

Mr. SMITH. I assume that no matter what kind of program we end up with, there will be a leader of some sort. And I think if we have a leader, whether he or she is a State employee or Federal employee, you still can set priorities but through the cooperative venture.

Senator MCCLURE. You will control the research?

"Control" is perhaps a stronger term than I ought to use.

Mr. SMITH. Will influence.

Senator MCCLURE. Will you influence the program as much through cooperative agreement as you would through having the Federal employee there?

Mr. SMITH. I can't say as much. We'll have an influence.

Senator MCCLURE. Well, I'm sure you'll have an influence, but is it sufficient?

Mr. SMITH. We essentially, under this proposal, will, if the Congress provides the funding, have influence through the funding mechanism and not through the supervision of individuals.

Mr. JANTZEN. Mr. Chairman.

Senator MCCLURE. Surely.

Mr. SMITH. We will have an annual work plan which is supposed to identify the work that would be done.

Senator MCCLURE. I noticed you said "supposed to."

Mr. SMITH. We will have an annual work plan.

Senator MCCLURE. I don't mean to be unduly critical; I'm trying to probe how much you feel there is value in having a Federal employee at the unit as compared to having a contract with them.

Mr. SMITH. If the individuals who are currently there are hired by the States, the value will be there. If individuals leave and new individuals are recruited; then there would be a lapse time and the value would decrease.

Senator MCCLURE. You are assuming, then, that these Federal employees will be terminated as Federal employees, and the expectation, or at least the hope expressed, is that they would then be hired as State employees; is that correct?

Mr. SMITH. That is the hope.

Mr. JANTZEN. Mr. Chairman, if I could——

Senator MCCLURE. Yes.

Mr. JANTZEN. We will do everything that we can administratively, should we proceed in the effort described in the letter. We'll place as many of the unit employees as possible in the Federal service. That would be our first priority. We cannot, though, in good faith, say we're going to place all of them; and that is the reason for putting that notice forward in the letter to you.

Senator MCCLURE. Let me suggest one practical problem both you and we face in this decision: that is, that you are aiming for an October 1 changeover.

Mr. JANTZEN. Yes, sir.

Senator MCCLURE. That is the beginning of the school year at the universities. But in order to hit that October 1 date, you have to take actions earlier than that. As outlined in your letter, you expect to send out notices in August—send them out in July or by August 1.

The Congress doesn't always get its work done on time. And even if it does get its work done on time, it probably won't get it done until September.

What are these employees to do in terms of the hiatus, the uncertainty, about what is going to happen to them and their careers and their job opportunities while waiting for a congressional solution or resolution to the problem?

Mr. JANTZEN. Mr. Chairman, you describe a difficult situation. As I understand it, I don't have a solution for it. We experienced the same situation with the fish-hatchery issue. As I say, I don't have an answer for your question.

Senator MCCLURE. Well, wouldn't it be better, in order to give them some opportunity, to precipitate this as a separate decision at an earlier date, so that Congess can either approve or disapprove and allow people to know?

Why don't you submit a reprograming so that we have some way of making a decision outside of the ordinary appropriations bill?

Mr. JANTZEN. Mr. Chairman, I can't answer on my own, but I'll be happy to take that suggestion and discuss it with the departmental people.

Senator MCCLURE. You could provide in that manner, by reprograming, for the closeout costs, and the Congress could then look at that and determine whether or not they will agree or disagree. That is not the full-blown appropriation process, but at least it would give some certainty before you get to October 1.

Mr. JANTZEN. As I say, Mr. Chairman, I'll discuss that with the Department and we will get back to you on that particular suggestion.

[The information follows:]

COOPERATIVE UNITS

After consultation with the Department, it has been determined we will not propose a reprograming for closure costs associated with termination of Cooperative Research Units.

Although the Cooperative Units were recently notified of the intention to terminate the program and separate unit personnel from the Service, the action is not irreversible if Congress wishes to continue operating these facilities.

The Service will fully fund the units through September 30, 1983. No closure actions (in terms of separation of Federal employees, transfer of equipment, et cetera) will be effectuated prior to September 30.

FISH HATCHERY CLOSURES

Senator MCCLURE. There are two other items that you seem to be changing without congressional concurrence, Mr. Jantzen.

First, for the 20 hatcheries that you have proposed for closure this year, you state on page 139 of your justification that:

Prudent management requires that the Department take a number of steps to prepare for the closure actions in fiscal year 1984. This will include: deferral of cyclical maintenance, reduction in purchase of fish food, adjustment of spawning, egg collection, and incubation activities, and deferral in filling currently vacant positions.

What impact will these actions have on the production of fish from the 20 hatcheries proposed for closure?

Mr. JANTZEN. During this fiscal year?

Senator MCCLURE. Yes.

Mr. JANTZEN. I would like to have Dr. Kutkuhn answer that, Mr. Chairman, please.

Dr. KUTKUHN. Yes, Mr. Chairman.

We are planning to continue the operation of the 20 hatcheries to the end of the fiscal year. You can appreciate that, managerially, this will be difficult. Beginning on or about the July 1, we also plan to phase out the operation of five hatcheries. However, our experience to date indicates a great deal of interest by the States, with respect to the States involved, to assume responsibility for operating these facilities. We anticipate that well before the close of the fiscal year those transfers will have been effected, thereby obviating the need for additional closure funds through reprograming or otherwise.

Senator McCLURE. Some States will be willing to——

Dr. KUTKUHN. Yes.

Senator McCLURE [continuing]. And some States will be in a position to do that; some States will not be willing to, and some States will not be in a financial position to take over operation; is that not correct?

Dr. KUTKUHN. Conceivably, yes, sir.

Senator McCLURE. Do you have a list, State by State, on the 20 facilities, which ones you expect the States to take over?

Dr. KUTKUHN. I have the list of five hatcheries before me. We're talking about: the Pisgah Forest Hatchery in North Carolina; the Senecaville, Ohio, Hatchery; the Neosho, Missouri, Hatchery; the Crawford, Nebraska, Hatchery; and the Cheraw, South Carolina, Hatchery.

It is my understanding that the State of North Carolina plans to assume the operation of the Pisgah Forest Hatchery by——

Senator McCLURE. Isn't that one on last year's list?

That is not one of the 20 for the 1984 list.

Mr. JANTZEN. No, not on the 1984; it's on the 1983 list.

Dr. KUTKUHN. This is on the 1983 list.

Senator McCLURE. I'm asking about the 20 that you plan to close in 1984.

Dr. KUTKUHN. I'm sorry. I misunderstood your question.

We have had relatively little interaction with the States involved, to date, for the hatcheries scheduled for closure in 1984.

I understood you to be referring to the five hatcheries that are scheduled to be closed by October 1, 1983.

Senator McCLURE. I was thinking of the uncertainty. Again, if there is anything that we can learn from history, it is that your proposal for 20 hatchery closures will be perhaps the most burdensome thing I have in dealing with my colleagues up here. And with respect to this particular budget, last year we spent I don't know how many hours responding to various Members of the Senate and the House of Representatives with respect to fish hatcheries in their districts and their States. And, as a result, some were not closed. As a result, some States made arrangements for the continuation of operations.

And if that is what you are referring to now, some of what was left over from last year's ongoing evolution in that program, and now we're starting all over again with 20 others, it seems to me there is going to be a lapse, either that or some uncertainty at best, and we are going to lose some fish propagation opportunities while the administration or the Congress are trying to make final determination; are we not?

Dr. KUTKUHN. We are in a position of not being able to operate the five hatcheries at the beginning of 1984. We are planning the closedown of the 20 hatcheries over a 60-day period beginning October 1.

Senator McCLURE. How much do you project to save by taking these steps, Mr. Jantzen?

And I am talking now about the 1983 management steps that anticipate the closure list of 1984. How much do you expect to change in the balance of 1983?

Mr. JANTZEN. I don't believe I can give you an answer right now. If we could provide that for the record, I would like to do so.

Senator MCCLURE. If you would, please.

HATCHERY CLOSURE COSTS

Mr. JANTZEN. Could I make a point on the 1984 hatcheries, Mr. Chairman?

Senator MCCLURE. Yes, sir.

Mr. JANTZEN. We have asked for closure costs of $1.6 million in 1984 to effectuate the transfer of those hatcheries. This is similar to the 1983 close-down money that Congress gave us.

Senator MCCLURE. But you expect to take certain actions with respect to these 20 hatcheries upon which congressional action has not yet been taken; you propose to take certain anticipatory actions during 1983——

Mr. JANTZEN. That is correct.

Senator MCCLURE [continuing]. In addition to the close-down money that you've requested for 1984.

Mr. JANTZEN. Your request is that we provide, for the record, the amount of money in 1983 that would be saved by these anticipatory actions.

Senator MCCLURE. Yes, sir.

Mr. JANTZEN. And we will provide that for you.

Senator MCCLURE. Thank you.

[The information follows:]

FISCAL YEAR 1983 SAVINGS FROM FISCAL YEAR 1984 HATCHERY CLOSURES

The Service will initiate judicious management actions in fiscal year 1983 in anticipation of the closure or transfer of those fish hatcheries identified in the fiscal year 1984 budget. These actions will include such things as deferral of noncritical maintenance projects, use of stockpiled fish food and other supplies, and deferral in filling of noncritical personnel vacancies. However, the basic operational status and the fish production and distribution activities of the hatcheries will be maintained through the end of fiscal year 1983 as directed in the conference committee report. The Service does not anticipate any significant O&M savings in fiscal year 1983 from these actions. Any minimal savings that may result from these actions will be directed toward operations and maintenance at existing hatcheries that will be retained in the hatchery system.

PHASING OUT HATCHERIES

Senator MCCLURE. Second, the conferees agreed last year that "no funds will be provided to operate five hatcheries after fiscal year 1983." These five were in addition to the 15 hatcheries closed during fiscal year 1983. For the 15 we closed, we provided closeout costs for a 90-day, orderly shutdown.

You have stated, in regard to the five, that if agreements with States cannot be reached in time for them to assume operations by October 1, 1983, you intend to begin phasing out the hatcheries on July 1 and to close them by October 1.

If we wanted to provide closeout costs for these 5, like we did for the 15, what would that cost?

Mr. JANTZEN. Dr. Kutkuhn, do you have that?

Dr. KUTKUHN. I'm sorry, Mr. Jantzen, I do not have that figure either.

These are the hatcheries I was referring to a moment ago when I misunderstood your other question. It's our expectation, as I indicated before, that State takeover would be in effect, at least in a few of these hatcheries, before then. But we would have to return with the information regarding the actual closeout, the estimated closeout, costs as of July 1.

Senator MCCLURE. Are those five going to be taken over by the States by October 1?

Dr. KUTKUHN. Yes, sir, we expect that they would be taken over by the States.

Senator MCCLURE. It seems to me that you are on the right track in seeking to transfer these facilities to the States. But I am concerned that in the absence of concrete agreements you would phase out the hatchery operation during fiscal year 1983, contrary to congressional direction that they be operated through fiscal year 1983. It seems to me that that is an issue we are going to hear more about and that it deals with the institutional integrity of the Congress and the executive branch.

I hope we don't have this same kind of discussion again next year with respect to what is done during the 1984 fiscal year. Congress did provide the funds and you are not really doing quite what the Congress suggested. And you have not come back with the proposed change in program except through your 1984 budget submission.

Mr. JANTZEN. Mr. Chairman, if I could.

Senator MCCLURE. Surely.

Mr. JANTZEN. On that point, we have viewed the five hatcheries in the following manner: that Congress has given us direction to work with the States in an attempt to transfer those hatcheries during the 1983 fiscal year. We have taken that to mean that if we could effectuate a transfer prior to the end of the fiscal year, that that would be acceptable to Congress. This certainly would be sound management if the State is in the position to begin operation of the hatchery prior to the end of the fiscal year.

Second, we understand that if we cannot accomplish these transfers by the close of fiscal year 1983, we are obligated, by congressional direction, to shut the door and turn the key in the lock on September 30.

Senator MCCLURE. Or you could ask for closedown costs in 1984.

Mr. JANTZEN. In the 1984 budget?

Senator MCCLURE. Yes.

Mr. JANTZEN. But they're not estimated for the five hatcheries.

HATCHERY CLOSURE FUNDING

Senator MCCLURE. That's what I am suggesting. Congress said last year, "Turn these over to the States and you've got money to continue through 1983 fiscal year." If you are unable to turn them over to the States, then you should seek closeout money for them in 1984 rather

than closing them out in 1983. I don't think that is an ambiguous statement on the part of the Congress.

Mr. JANTZEN. The way you state it it certainly isn't ambiguous, Mr. Chairman.

Senator MCCLURE. Well, I think that is what we should do, rather than trying to anticipate what may happen and changing in midstream without requesting any changes in the operating program.

And I understand your dilemma. It seems to me you are ahead of the curve by 3 months.

Mr. JANTZEN. That will be the first time.

Senator MCCLURE. No; not the first time. I'd say it's more than once you've been ahead of the curve, in a constructive way as well. But in this instance I think we have a little mismatch in direction of performance.

I hope we can avoid that next year, and I hope that these five will resolve themselves. We look forward to working with you on those, and we will be in conversation with you.

ARMM FUNDING

Mr. JANTZEN. The best case would be to have it moved by transferring all five hatcheries. That's what we're hoping for.

Senator MCCLURE. I have some questions that I will submit with respect to the habitat resources program. But let me turn for a moment, if I can, to a more pleasant part of the relationship between the committee and the Service.

For example, the committee provided $20 million in the jobs bill for accelerated maintenance in fiscal year 1983. This is a positive recognition by the committee that there are a lot of refuges that haven't had a large influx of funds since the bicentennial lands heritage program in 1976. Also, your fiscal year 1984 budget proposing $16.6 million for the accelerated refuge maintenance and management program was pending before the committee when it passed the jobs bill.

What will you do with your ARMM proposal now, in light of our jobs bill money?

Mr. JANTZEN. Mr. Chairman, I'd like to ask Mr. Gilmore to respond to the question, please.

Mr. GILMORE. I think I can speak without a microphone.

The ARMM projects were primarily designed around the specific need at an individual station which was not necessarily labor intensive work. They are the highest priority needs. As the jobs bill came on line, we began to take a look at what was scheduled in the ARMM program to see if some of the projects in ARMM should be covered in the jobs bill and vice versa.

What we have tried to do is put an ARMM program together, basically the one you've seen. We've made very little change to it because most of the work is going to be construction in nature, having to contract with other people to do the work. The jobs bill—again, we took a look at the unemployment levels, labor intensiveness, necessity of the

job to be done on the refuge, and other criteria and tried to design the jobs bill project list. What we are really saying is that the jobs bill is going to come in and fill in those spaces that would not necessarily have been done under ARMM because we would not have had the people on the station to do it.

Senator McCLURE. So, you'll do different construction project work than would have been done under ARMM?

Mr. GILMORE. I'll see if I can give you an example. Under ARMM we may be completely rehabing a facility, a building or a structure. Now, we probably would have stopped at rehab when we got the physical rehabilitation completed. With the jobs bill we'll come right in behind it. At that particular spot we may go into landscaping; we will be going into the kind of work where you need labor intensive work. This work would not have been done under ARMM.

Senator McCLURE. Now, if you have to wait for the construction project under ARMM to provide the jobs, it is going to be a substantial delay in the implementation of the money in the jobs bill; will it not?

Mr. GILMORE. That was an example. Not every jobs bill is tied directly to an ARMM project.

Mr. JANTZEN. Right.

Mr. GILMORE. There are a lot of the jobs bill projects that are independent and stand on their own, specific kinds of projects as opposed to some of the jobs bill projects that relate to some of the ARMM project or an extension of the ARMM project.

Senator McCLURE. Will any of the ARMM project proposals be advanced to be funded by the 1983 jobs bill?

Mr. GILMORE. No, sir.

MAINTENANCE NEEDS

Senator McCLURE. How ong do you anticipate it will be before we have enough money in the base to remain current with our maintenance needs?

Mr. GILMORE. It's very difficult to anticipate what moneys might come in the future as a result of various constraints on the budget process. But at the present rate, if we are able to maintain the increases to the maintenance portion of the refuge business, we expect to finish it in about 1986. We think we should have enough in the base to do it by then.

Senator McCLURE. That would be the current level of the accelerated maintenance management program plus the jobs bill moneys would get you to a current status by fiscal 1986?

Mr. GILMORE. Yes, sir.

Senator McCLURE. In the jobs funding, are you building these budgets up from the refuge level?

Mr. GILMORE. Yes, sir., we are.

Senator McCLURE. And is the same thing true of the ARMM proposal, is it built from the bottom up?

Mr. GILMORE. It was built from every direction. We used every resource that we had to try and get the best projects that we could get into the program. In many cases we went directly to the field station people who had projects on our priority list. In many cases we asked the regions to do it, in some cases individual refuge managers were not included even though they may have had an ARMM project that got included in the list. However, we just put that list together from every resource that we had.

REFUGE MANAGER PARTICIPATION

Senator MCCLURE. All right.

Now, turning to the ARMM proposal itself, in the structuring of the ARMM proposal, was it built utilizing the input from every refuge manager, as an example?

Mr. GILMORE. Yes, sir, the process that we used is called a PDW, which is a project description worksheet. And each year the project leaders fill out these worksheets for their station. They send those worksheets into the regional offices where they are combined and arranged in priority order for funding. When the ARMM thrust came as a result of the Secretary's interest, we reached to those worksheets and we asked the regions to send in what they thought were the highest priorities within their regions.

We, at the Washington level, began to take a look at the regional listings and balance off the priorities between regions and individual stations in many cases.

Senator MCCLURE. So, in some instances, in balancing off between regions, you may have moved things at a lower priority overall a little more rapidly in order to get some regional distribution or equity in distribution by region; is that correct?

Mr. GILMORE. Yes, sir, we may do that, depending on the type of work. If it appears to be a safety problem we may actually move money from one station which is not as high priority as safety. And again, the PDW's that I'm speaking of, where the project leaders send them in, now those have been in—when the ARMM project came to light, those have been in about 8 months. When we brought the ARMM project to a state of consciousness that we were going to move rapidly with it to the PDW's, the program description worksheets that these people had filled out, were already in and filed and in some kind of a priority order.

Senator MCCLURE. Would I understand that all of the projects, the ARMM projects, were first proposed by the refuge manager?

Mr. GILMORE. No; that is not correct. As I said, when we put ARMM together, we used every resource we had.

Senator MCCLURE. If the manager at the refuge didn't suggest a maintenance proposal, where did it come from?

Mr. GILMORE. Well, it may have been that the region took a look at that station in a recent inspection and said, "Even though we don't have a program description worksheet project in here, we feel this needs to be done." And they added it to the list as it came in to us.

So, everything that was on the ARMM list was not, necessarily, suggested by a project leader.

Senator McCLURE. The information that I have gotten, or at least the impression that we've gotten, is that with some of these programs the refuge manager was notified that there would be a program in his refuge and he had to develop the project to meet what had been decided.

Mr. GILMORE. There were some circumstances where the projects that we had listed for an individual refuge were outdated. They were not up to what we considered an adequate level. We asked the regions to take another look out there with another set of eyes and see what they could produce for us.

Senator McCLURE. How did you arrive at the $16.6 million figure?

MAINTENANCE PRIORITIES

Mr. GILMORE. We took a look at all the listings of projects that we had from the field stations all over the United States and from the regions, and decided on a list of priorities based on the seven criteria that we had developed for maintenance on national wildlife refuges. These priorities are: safety, habitat management, facilities maintenance, and interpretation or recreation type of facilities for public use. We took a look at the projects that fit into those categories and we began to meld them together.

Senator McCLURE. Is there any priority in that listing?

Mr. GILMORE. Yes, sir, there is a priority.

Senator McCLURE. In the order in which you gave them?

Mr. GILMORE. I don't know that you got them in a list in an order of priority, because when we gave——

Senator McCLURE. In the criteria. In the criteria.

Mr. GILMORE. Yes, sir, I gave you the criteria in priority order.

Senator McCLURE. And there is a priority in those criteria as you listed them?

Mr. GILMORE. Yes, sir, safety is first, habitat is second, facilities third. There may be an additional item, one in between there, that I can't recall right now.

Senator McCLURE. All right. If you need to correct that for the record, would you do so? Because I would like to have that accurately reflected in the record.

I would understand you went down that list in order of priority.

Mr. GILMORE. Yes, sir, that is what I did.

Senator McCLURE. Now, what was the total request received from refuge managers in dollar amounts?

Mr. GILMORE. I don't have an exact figure with me; I can provide that for the record. But it was much more than what we have in ARMM.

Senator McCLURE. Again, will it be accommodated and filled by the ARMM request, the regular budget request, and the jobs bill, to get to an adequate level of base funding by the end of 1986?

Mr. GILMORE. Yes, sir, that is our anticipation now.

Senator MCCLURE. That will accommodate every request that was made by a refuge manager?

Mr. GILMORE. No, sir, I can't say that it will accommodate every request by refuge managers, because some of the requests we got from refuge managers will never be accommodated.

ARMM PROJECTS

Senator MCCLURE. Could you provide for the record the list? That might be a little more difficult to do. Could you provide for the record the kinds of projects or listings of projects that were added above the project manager level?

Mr. GILMORE. No, sir, I probably cannot. At this stage it becomes so integrated I probably can't. We can take a look and see if it's possible.

Senator MCCLURE. Now, if I would understand, there would be within each of the seven regional offices a list of requests from the refuge managers.

Mr. GILMORE. Yes, sir, there would be a list for each project leader in the regional office.

Senator MCCLURE. How much work would it require to provide a list of those that were dropped out at the regional level and those that were added at the regional level?

Mr. GILMORE. It will be considerable work, because each project, for instance, may have as many as 10 PDW's—program description worksheets. And with an area that has 60 field stations, or 45 field stations, we're talking about as many as 400 project description worksheets that might be two pages long. Maybe it can be done; I'm not saying it is an impossible task at all.

Senator MCCLURE. I don't want to put you to an inordinate amount of work. But there's been, as you might guess, a little bit of ferment out in the field as to whether or not the decisions at the regional level were responsive to the requests made at the refuge level.

Mr. GILMORE. Yes, sir, and I would like to speak to that just briefly.

[The information follows:]

ARMM Project List Development

The Accelerated Refuge Maintenance and Management (ARMM) program is a Secretarial initiative that developed late in September/October 1982. This resulted in short time frames for the development of budget justification materials. To expedite the rapid turn-around of information, much of the project list development was accomplished via telephone. Target funding levels were provided to the regional offices, who in turn, requested project information from refuge managers. In some cases existing files of proposed projects were utilized, but in all cases projects were coordinated through the refuge managers.

Because of the short time frame and the fact that most business was conducted via telephone, not all staff on all refuges may have been aware of project development and justification. Additionally, because of the development of ARMM late in the budget justification process, target funding levels essentially came from the top down. In Region 7, Alaska, one project, the archeological assessment, Simeonof Island, Alaska Maritime NWR, was proposed by the regional office. However, all remaining projects, were initiated by and developed in coordination with the various refuge managers.

1. Projects proposed by the Regional offices are included in List A attached.

2. All projects proposed by FWS Refuge Managers are included in List B pages 1-24. The Refuge Managers project listing reflects only one project [(Bon Secour NWR, Alabama (+80K)] which was not included in the FY 1984 President's Budget Request.

List A

ARMM PROJECTS PROPOSED BY REGIONAL OFFICES

Refuge	Project	Amount
Alaska Maritime NWR	Archeological assessment Simeonof Island	$5,000
	Total all States	$5,000

List B

ARMM PROJECTS PROPOSED BY REFUGE MANAGERS

Refuge	Project	Amount ($000)
ALABAMA		
Bon Secour NWR (80)	Signs	10
	Parking lot shell	16
	rehab public access	20
	rehab bridge	20
	Replace boat	14
	TOTAL	80
Choctaw NWR (25)	Boat ramp gravel	3
	Replace culverts	2
	rehab sign system	3
	rehab maintenance area	4
	Purchase equipment	3
	Replace tools	2
	Full efficient station wagon	8
		25
Eufaula NWR (18)	Pump	18
Wheeler NWR: (45)	Replace grain dryer	8
	Seeding equipment	4
	Plow	13
	Replace vehicle	10
	Replace signs	10
		45
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN ALABAMA:		$150

Refuge	Project	Amount ($000)
ALASKA		
AK Maritime NWR (580)	Repair Office Roof	60
	Drainage Ditch	100
	Rehab residence furnaces	110
	Rehab field facilities	120
	Enlarge storage area	45
	Replace 20-ft boat	50
	Rehab Arctic entrance	5
	Replace passenger vehicle	15
	Rehab field radio system	10
	Replace trailer	10
	Rehab storage shed	10
	Lower headquarters ceiling	40
	TOTAL	575
AK Peninsula (NWR) (130)	Rehab bunkhouse/mess hall	130
Arctic NWR (235)	Archeological site protection	10
	Debris removal, wetlands	8
	Increase monitoring SUPs	13
	Debris/trash removal, wildlands	8
	Vegetative mapping program	40
	Moose population inventory	11
	Dall sheep population inventory	30
	Porcupine caribou herd inventory	48
	Migratory bird monitoring (south slope)	10
	Hot water system, Kaktovik	8
	Expand storage facility, Kaktovik	10
	Construct battery storage shed, Kaktovik	5
	Upgrade a/c fuel storage shed, Kaktovik	10
	Install floor covering, Kaktovik	3
	Rehab equipment storage facility, Fairbanks	9
	Construct fuel storage buidling, Fairbanks	12
	TOTAL	235
Becharof NWR (80)	Rehab auto shop	30
	Rehab bunkhouse/mess hall	50
	TOTAL	80
Innoko NWR (80)	Inventory/classify habitat types	20
	Establish population management practices	20
	Facility maintenance	5
	Equipment maintenance	15
	Vegetative mapping program	20
	TOTAL	80

Refuge	Project	Amount ($000)
ALASKA		
Izembek NWR (80)	Replace furnaces	5
	Insulate attics	5
	Rehab aircraft hanger	16
	Fall/winter waterfowl surveys	12
	Cabin administration, Pavlof Unit	10
	Equipment repair	8
	Rehab diesel distribution system	15
	Replace doors/tile	3
	Purchase aircraft floats	21
	Purchase/install wind generator	40
	TOTAL	135
Kanuti NWR (95)	Wildlands maintenance	35
	Baseline data on subsistence	35
	Rehab refuge cabin	15
	Purchase special Arctic equipment	10
	TOTAL	95
Kenai NWR (264)	Replace motor grader	87
	Purchase utility van	15
	Replace four (4) waterwells	32
	Replace four vehicles	40
	Purchase front end loader	60
	Replace bulletin boards	5
	Rehab recreation cabin	7
	Purchase signs	10
	Construct well/pump	8
	TOTAL	264
Kodiak NWR (100)	Rehab Triplex housing unit	24
	Increase field surveillance patrols	10
	Vessel hull repair	10
	Cabin Rehab	30
	Replace trauck	10
	Construct field camp module	12
	Purchase aircraft propeller	4
	TOTAL	100
Koyukuk NWR (110)	Rehab residences	24
	Radio purchase	6
	Vehicle Maintenance	14
	Waterfowl/raptor surveys	16
	Fall moose survey	10
	Monitor Koyukuk River fisheries	10
	Monitor water quality	2
	Conduct cabin survey	4
	Purchase prefabricated cabin	20
	TOTAL	110

Refuge	Project	Amount ($000)
Nowitna NWR (120)	Survey archeological site	8
	Establish fuel caches	11
	Survey recreational use	3
	Purchase prefabricated cabins (2)	30
	Conduct migratory bird surveys	8
	Fall moose survey	6
	Rehab refuge housing	12
	Vehicle maintenance	12
	Construct storage facility	22
	Purchase field radios	6
	Purchase folding canoe and boat	2
	TOTAL	120
Selawik NWR (100)	Replace boat mooring/fueling/storage facilities	7
	Replace cabin pit toilet	5
	Replace 2 residence furnaces	3
	Replace generator	10
	Replace snowmobile	6
	Publish refuge brochure	3
	Reinsulate 2 residences	12
	Rehab equipment storage shed	15
	Replace/upgrade hand and power tools	4
	Replace 3 outboard motors	5
	Conduct waterfowl, caribou, and furbearer inventories	30
	TOTAL	100
Tetlin NWR (60)	Replace river boat	5
	Rehab patrol cabin	7
	Rehab Northway summer camp	10
	Rehab 2 boat launching sites	21
	Supervise/restrict off-road vehicle use	17
	TOTAL	60
Togiak NWR (60)	Relocate/rehab mobile home	46
	Rehab radio system	6
	Purchse aircraft radio	5
	Maintain cabins	3
	TOTAL	60
Yukon Delta NWR (685)	Rehab hanger/fuel facility	30
	Replace 3 vehicles	45
	Replace aircraft radio	8
	Replace 4 snowmobiles	12
	Conservation education materials	50
	Raptor nesting study	92
	White-fronted goose nesting study	67
	Pintain production study	85
	Census marine bird populations	73
	Muskox census, Nunivak Island	25

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Refuge	Project	Amount ($000)
Yukon Delta NWR (continued)	Grizzly bear study, Andreafsky Wilderness Area	63
	Develop baseline habitat maps	135
	TOTAL	685
Yukon Delta NWR (265)	Prepare vegetative community maps	85
	Repair equipment	10
	Replace survival gear	10
	Rehab Fort Yukon warehouse	10
	Rehab fence and road, Fort Yukon	8
	Rehab Canvasback Lake cabin	7
	Rehab cabin, Porcupine River	10
	Rehab cabin, Tanjoga Lake	8
	Evaluate/protect 8 historic properties	10
	Rehab radio system	7
	Identify/protect/manage migratory bird populations	75
	Cultural resource survey	25
	TOTAL	265
TOTAL ARMM PROJECTS INTIATED BY REFUGE MANAGERS IN ALASKA		$2,964
ARIZONA		
Cibola NWR (43)	Rip-rap Cibola Lake	2.5
	Upgrade boat equipment	5
	Upgrade radio equipment	7
	Rehab crane	4
	Pave boat ramp	2
	Install cattle guard	3.5
	Rehab Hart Mine marsh	14
	Rehab spillways	4
	Habitat improvement	1
	TOTAL	43
Havasu NWR (65)	Rehab sign system	10
	Habitat improvement	10
	Rehab roads	35
	Rehab residences	10
	TOTAL	65
Imperial NWR (20)	Rehab irrigation system	20
	TOTAL	20
Cabeza Prieta NWR	Replace vehicles	28
	Rehab roads	2
	Rehab residences	7
	Rehab water truck	4
	Repair windmills	4.5
	Upgrade radio system	2

Refuge	Project	Amount ($000)
Cabeza Prieta NWR (continued)	Upgrade visitor center	3.5
	Landscape headquarters	4
	TOTAL	55
Kofa NWR (50)	Rehab habitat	30
	Replace headquarters roof	20
	TOTAL	50
TOTAL ARMM PROJECT INITIATED BY REFUGE MANAGERS IN ARIZONA		$233
ARKANSAS		
Big Lake NWR (30)	Rehab equipment and buildings and roads	28
	Habitat maintenance	2
	TOTAL	30
Holla Bend NWR (20)	Rehab storm drainage system	20
	TOTAL	20
Wapanocca NWR	Rehab roads and storage facilities	47.5
	Habitat improvement	7.5
	TOTAL	55
White River NWR (40)	Rehab roads	40
	TOTAL	40
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN ARKANSAS		$145
CALIFORNIA		
Kern Refuge Complex (88)	Establish 2 refuges	35
	Additional water cost	35
	Fence, road and dike maintenance	18
	TOTAL	88
Klamath Basin Refuge Complex (100)	Fence, road and water control structure maintenance	68
	TOTAL	68
Modoc NWR (25)	Rehab roads and ditches	25
	TOTAL	25
Sacramento Refuge Complex (100)	Increased water pumpting costs	22
	Repair water system	20
	Rehab roads, trails, buildings	30
	Upgrade headquarter sewer system	4
	Replace equipment	20
	Pipe arch crossing	4
	TOTAL	100

Refuge	Project	Amount ($000)
Salton Sea Refuge Complex (115)	Establish basic program on new lands	70
	Replace vehicle	18
	Maintain agriculture	27
	TOTAL	115
San Francisco Bay NWR (275)	Establish program on new lands	65
	Restore habitat and control water	100
	Replace vehicles	45
	Rehab roads, trails and parking lot	35
	Repair buildings and generator	30
	TOTAL	275
San Luis Refuge Complex (110)	Rehab roads and improve water conveyance	85
	Replace vehicles	25
	TOTAL	110
TOTAL ARMM PROJECTS BY REFUGE MANAGERS IN CALIFORNIA		$813
COLORADO		
Arapaho NWR (41)	Replace fence and gates	28
	Rehab water control structures	13
	TOTAL	41
Browns Park NWR (37)	Rehab roads and buildings	37
Monte Vista NWR (54)	Rehab dikes and canal	46
	Replace fence	8
	TOTAL	54
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN COLORADO		$132
DELAWARE		
Bombay Hook NWR (108)	Renovate new office	5
	Replace signs	10
	Pest plant control and water control	35
	Building, boardwalks and exhibit maintenance	42
	Pave roads and parking lots	12
	Vehicle maintenance	4
	TOTAL	108
Prime Hook NWR	Equipment maintenance	17
	Rehab roads and signs and fences	18
	Replace pump and equipment	4
	Pest plant control	3
	TOTAL	42
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN DELAWARE		$150

Refuge	Project	Amount ($000)
FLORIDA		
Chassahowitzka NWR (47)	Rehab hqtrs. building and parking lot	15
	Purchase vehicles	24
	Survey and paint refuge boundary	8
	TOTAL	47
J.N. "Ding" Darling NWR (108)	Rehab and maintain visitor center	47
	Resurface road and riprap water control struc.	47
	Replace tracks, undercarriage and WCS riser boards	14
	TOTAL	108
Loxahatchee NWR (92)	Purchase vehicles and equipment	34
	Build vehicle storage building	40
	Replace signs	13
	Pre-bag riprap	5
	TOTAL	92
Lake Woodruff NWR	Rehab trails, signs and water supply canal	8
	Replace truck	7
	TOTAL	15
Merritt Island NWR (90)	Dike and water control maintenance	25
	Habitat management	7
	Replace trucks	58
	TOTAL	90
National Key Deer Wildlife Refuge (& Crocodile Lake) (105)	Replace equipment and purchase vehicles	50
	Startup costs of new area	39
	Boundary posting and signs	6
	Plow fire lanes	10
	TOTAL	105
St. Marks NWR (85)	Acquire trucks	13
	Riprap WCS, and repair bridges, replace culvert	45
	Repair storage building and equipment	9
	Replace signs and post	8
	Rehab roads	10
	TOTAL	85
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN FLORIDA		$542
GEORGIA		
Georgia Coastal Complex (95)	Rehab WCS	27
	Rehab equipment	26
	Install railway	7
	Gravel dike and roads	35
	TOTAL	95

Refuge	Project	Amount ($000)
Piedmont NWR (185)	Pave roads	120
	Rehab shed, spillway and creek crossings	37
	Replace vehicles	18
	Reclaim fields	10
	TOTAL	185
Okefenokee NWR (25)	Replace truck and utility vehicles	16
	Rehab boardwalk	9
	TOTAL	25
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS IN GEORGIA	$305
HAWAII		
Hawaiian & Pacific Islands NWR Complex (100)	Vegetation control	20
	Pump operation	12
	Landscaping, fence and parking area maintenance	22
	Building and dock maintenance	21
	Tractor and boat maintenance	15
	Generator overhaul	10
	TOTAL	100
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS FOR HAWAII	$100
IDAHO		
Camas NWR (10)	Increase water pumping	10
Deer Flat NWR (40)	Rehab trucks and repair roads and structures	40
Kootenai NWR (30)	Modify pumping station	5
	Repair road and shop	25
	TOTAL	30
SE Idaho Refuge Complex (135)	Biological survey	70
	Water level control	25
	Control of carp and vegetation	25
	Replace vehicles	15
	TOTAL	135
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS IN IDAHO	$215
ILLINOIS		
Chautauqua NWR (60)	Water management	16
	Facilities and equipment maintenance	44
	TOTAL	60

Refuge	Project	Amount ($000)
Crab Orchard NWR (225)	Resurface roads	225
Mark Twain Complex (153)	Replace equipment	60
	Road gravel and cable gates	24
	Site maintenance	20
	Ditch and dike rehab	49
	TOTAL	153
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN ILLINOIS		$438
INDIANA		
Muscatatuck NWR	Rehab road/dikes/ditches/culverts	79
	Replace gates/equipment	6
	TOTAL	85
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN INDIANA		$85
IOWA		
DeSoto NWR (151)	Preservation of artifacts	14
	Rehab roads, trail	68
	Replace equipment	49
	Wildlife exhibit	20
	TOTAL	151
Union Slough NWR (56)	Purchase equipment	35
	Rehab dikes	21
	TOTAL	56
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN IOWA		$207
KANSAS		
Flint Hills NWR (37)	Replace equipment and signs	5
	Rehab waterway, dikes	32
	TOTAL	37
Kirwin NWR (28)	Replace vehicle and equipment	12
	Rehab habitat and culverts	16
	TOTAL	28
Quivera NWR (50)	Rehab water control structures	50
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN KANSAS		$115

Refuge	Project	Amount ($000)
LOUISIANA		
Bogue Chitto NWR	Signs and access	50
(125)	Purchase equipment and vehicles	50
	Establish radio system	25
	TOTAL	125
Delta-Breton NWR	Posting	10
(15)	Rehab vessel	5
	TOTAL	15
Catahoula NWR	Renovate office	40
Lacassine NWR	Retrofit office	10
(50)	Rehab roads, sewer plant	40
	TOTAL	50
Sabine NWR	Repair or replace equipment	35
(35)		
Tensas River NWR	Signs, roads for new refuge	75
(150)	Setup office	20
	Purchase equipment and vehicles	55
	TOTAL	150
Upper Ouachita NWR	Replace water control structure and repair	
(15)	boat ramps	15
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGES IN LOUISIANA	$430
MAINE		
Moosehorn NWR	Rehab headquarters	20
(127)	Repair and replace signs, fences, and gates	42
	Vehicle repair and maintenance	25
	Habitat improvement	10
	Repair water control structures	30
	TOTAL	127
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS IN MAINE	$127
MARYLAND		
Blackwater NWR	Waterfowl habitat maintenance	64
(108)	Marsh restoration	20
	Rehab visitor center, trails	9
	Vehicle and equipment maintenance	8
	Habitat improvement	3
	Rehab roads and YCC office	4
	TOTAL	108

Refuge	Project	Amount ($000)
Eastern Neck NWR (66)	Rehab roads, gates, fences, and parking lot	33
	Rehab lodge and buildings	28
	Vehicle and equipment maintenance	5
	TOTAL	66
Martin NWR (35)	Equipment and facilities maintenance	16
	Pest plant control	19
	TOTAL	35
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS IN MARYLAND	$209
MASSACHUSETTS		
Great Meadows NWR (63)	Roads, buildings, and vehicle maintenance	31
	Signs and posting materials	22
	Pest plant control	10
	TOTAL	63
Parker River NWR (106)	Rehab roads and parking area	60
	Repair dikes and replace water control structure	46
	TOTAL	106
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAGERS IN MASSACHUSETTS	$169
MICHIGAN		
Seney NWR (75)	Renovate headquarters complex	45
	Develop Wildlands Protection Plan	20
	Purchase boat and equipment	10
	TOTAL	75
Shiawassee NWR (98)	Water management	59
	Rehab dikes	39
	TOTAL	98
TOTAL ARMM PROJECTS	INITIATED BY REFUGE MANAERS IN MICHIGAN	$173
MINNESOTA		
Agassiz NWR (50)	Rehab dikes	50
Big Stone NWR (40)	Habitat improvement	40
Fergus Falls Complex (164)	Habitat improvement	134
	Fence and sign maintenance	10
	Install water control structure	20
	TOTAL	164

Refuge	Project	Amount ($000)
Minnesota Valley NWR (87)	Develop trails	20
	Improve habitat	67
	TOTAL	87
Rice Lake NWR (58)	Replace heavy equipment	58
Sherburne NWR (131)	Purchase heavy equipment	82
	Signs and kiosks	30
	Rehab pool	19
	TOTAL	131
Tamarac NWR (68)	Rehab shop	58
	Upgrade signs	10
	TOTAL	68
Upper Mississippi River Complex (145)	Replace signs	85
	Upgrade boat ramps	60
		145
Trempeleau NWR (15)	Relocate gas pumps	15
Savanna NWR (10)	Visitor information facilities	10
Litchfield NWR (3)	Build site cleanup	3
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN MINNESOTA		$771
MISSISSIPPI		
Hillside NWR (45)	Replace vehicles	25
	Improve habitat	18
	Rehab shop	2
	TOTAL	45
Noxubee NWR (50)	Repair levees and roads	40
	Rehab shop and facilities	10
	TOTAL	50
Mississippi Sandhill Crane Complex (174)	Construct culverts, shell, WCS	62
	Office/UCS, vehicle and equipment maintenance and rehab	9
	Habitat improvement	23
	TOTAL	94

Refuge	Project	Amount ($000)
Yazoo NWR (27)	Rehab roads and culverts	7
	Replace signs	5
	Purchase equipment	14
	Clear site	1
	TOTAL	27
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN MISSISSIPPI		$216
MISSOURI		
Clarence Cannon NWR (40)	Habitat Improvement	40
Mingo NWR (109)	Renovate shop	5
	Replace vehicles and cable gates	43
	Rehab roads, dikes and WCS	61
	TOTAL	109
Squaw Creek NWR (87)	Replace road grader and cable gates	67
	Rehab dikes and ditches	20
	TOTAL	87
Swan Lake NWR (63)	Replace equipment	4
	Complete headquarters	59
	TOTAL	63
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN MISSOURI		$299
MONTANA		
Benton Lake NWR (70)	Habitat improvement	70
Bowdoin NWR (30)	Rehab roads	12
	Purchase equipment	8
	Restore habitat	10
	TOTAL	30
Charles M. Russell NWR (102)	Rehab ponds, roads, and fences	102
Lee Metcalf NWR (30)	Rehab ditch and WCS	14
	Replace vehicles	16
	TOTAL	30
Medicine Lake NWR (65)	Replace vehicles and fence	39
	Rehab road and courtyard	16
	Restore habitat	10
	TOTAL	65

Refuge	Project	Amount ($000)
NW Montana Wetlands (30)	Repair fence, gates, bridges and equipment	25
	Rehab roads and grasslands	5
	TOTAL	30
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN MONTANA		$438
NEBRASKA		
Crescent lake NWR (50)	Replace shed and equipment	18
	Rehab headquarters and roads	32
	TOTAL	50
Fort Niobrara/ Valentine NWR (74)	Replace equipment	41
	Rehab buidilng	33
	TOTAL	74
Rainwater Basin Wetlands Manage- ment District (50)	Rehab pumping stations	26
	Maintain parking lot	10
	Repair equipment	14
	TOTAL	50
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGES IN NEBRASKA		$174
NEVADA		
Desert NWR (110)	Habitat improvement	110
Ruby Lake NWR (120)	Road and irrigation maitnenance	38
	Repair vehicle, buildings and boat landings	32
	TOTAL	70
Stillwater NWR (86)	Repair water control structures, fences, roads, and equipment	79
	Restore habitat	7
	TOTAL	86
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NEVADA		$266
NEW JERSEY		
Brigantine NWR (70)	Rehab dikes, gates and bridges	40
	Building and equipment maintenance	28
	Habitat improvement	2
	TOTAL	70
Great Swamp NWR (52)	Habitat improvement	6
	Vehicle and equipment maintenance & replacement	14
	Roads, trails, and sign maintenance	22
	Building maintenance	10
	TOTAL	52

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Refuge	Project	Amount ($000)
Barnegat NWR (5)	Rehab road and signs	5
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NEW JERSEY		$127
NEW MEXICO		
Bitter Lake NWR (55)	Rehab office and road	28
	Replace vehicles	18
	Upgrade equipment and well	9
	TOTAL	55
Bosque Del Apache NWR (70)	Improve habitat	43.5
	Rehab fence	2.5
	Replace vehicles	20
	Rewire Q-1	4
	TOTAL	70
Las Vegas NWR (40)	Upgrade irrigation system	30
	Replace vehicle	10
	TOTAL	40
Maxwell NWR (20)	Improve habitat	9
	Rehab roads and fences	9
	Replace equipment	2
	TOTAL	20
Sevilleta NWR (20)	Rehab roads and fences	20
San Andres NWR (20)	Replace vehicle	12
	Improve habitat	3
	Rehab road	5
	TOTAL	20
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NEW MEXICO		$225
NEW YORK		
Iroquois NWR (93)	Habitat improvement and equipment	9
	Vehicle and equipment maintenance and replacement	36
	Headquarter's site improvement	23
	Road, fence, gate and signs rehab	20
	Public use supplies	5
	TOTAL	93
Montezuma NWR (120)	Habitat improvement	63
	Vehicle and equipment maintenance and replacement	14
	Headquarter's site improvement	43
	TOTAL	120

Refuge	Project	Amount ($000)
Wertheim NWR (70)	Habitat improvement	11
	Public use displays, leaflets	4
	Headquarters buildings and site improvements	19
	Vehicle and equipment repair and replacements	6
	Road rehab	10
	TOTAL	50
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NEW YORK		$273
NORTH CAROLINA		
Mattamuskeet NWR (25)	Equipment rehab	20
	Vehicle replacement	5
	TOTAL	25
Pea Island NWR (10)	Rehab vehicle and WCS	2.5
	Rehab road	7.5
	TOTAL	10
Pee Dee NWR (10)	Dike rehab	10
Pungo NWR (10)	Rehab equipment	8.5
	Rehab road	1.5
	TOTAL	10
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NORTH CAROLINA		$55
NORTH DAKOTA		
Arrowwood NWR (79)	Habitat rehab	19
	Equipment and vehicle replacement	46
	Site improvement	14
	TOTAL	79
Audubon NWR (65)	Replace vehicles	65
Des Lacs NWR (74)	Rehab water control systems	64
	Replace equipment	10
	TOTAL	74
Devil's Lake Wetland District (77)	Management wetlands	72
	Replace equipment	5
	TOTAL	77
J. Clark Salyer (72)	Site improvement	37
	Rehab equipment	5
	Improve habitat	5
	Rehab roads	25
	TOTAL	72

Refuge	Project	Amount ($000)
Kulm Wetlands Management District (53)	Repair water control systems	10
	Improve habitat	20
	Repair roads and fences	23
	TOTAL	53
Tewaukon NWR (39)	Repair roads and fences	9
	Improve habitat	18
	Repair water control structures	12
	TOTAL	39
Upper Souris NWR (43)	Repair, replace equipment	18
	Repair water control systems	12
	Rehab Service building	10
	Rehab recreation area	3
	TOTAL	43
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN NORTH DAKOTA		$502
OHIO		
Ottawa NWR (74)	Maintenance of dikes and ditches	64
	Management of W. Sister Island	10
	TOTAL	74
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN OHIO		$74
OKLAHOMA		
Salt Plains NWR (60)	Improve headquarters site	19.6
	Rehab roads and fences	37.4
	Repair WCS	3.0
	TOTAL	60
Sequoyah NWR (50)	Repair fence	9
	Rehab water control systems	41
	TOTAL	50
Tishomingo NWR (60)	Purchase vehicle	20
	Rehab headquarters buildings	20
	Improve habitat	20
	TOTAL	60
Washita NWR (35)	Rehab roads and fences	35
Wichita Mountains WR (75)	Rehab roads and corrals	75
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN OKLAHOMA		$280

Refuge	Project	Amount ($000)
OREGON		
Malheur NWR	Repair roads	70
(109)	Maintain water delivery systems	39
	TOTAL	109
William L. Finley	Dike repair	20
NWR (Williamette	Road repair	40
Valley Complex)	Sign and fence repair	20
(80)	TOTAL	80
Sheldon Refuge	Protect historic sites	30
Complex	Improve habitat	60
(90)	TOTAL	90
Umatilla NWR	Marsh rehab	25
(70)	Repair roads, trails	45
	TOTAL	70
	Subtotal	349
NOTE: $50k more submitted by Refuge Managers for McNary and Toppenish NWRs.		50
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN OREGON		$399
PENNSYLVANIA		
Erie NWR	Roads and trails maintenance	9
(40)	Building maintenance	8
	Vehicle and equipment maintenance	9
	Habitat maintenance	14
	TOTAL	40
Tinicum NWR	Visitor center improvement	35
(65)	Road and sign rehab	25
	Landfill impoundment	2
	Equipment maintenance	3
	TOTAL	65
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN PENNSYLVANIA		$105
RHODE ISLAND		
Ninigret NWR	Building and structures maintenance	15
(57)	Road, gates, fencing rehab	30
	Habitat improvement	7
	Interpretative materials	5
	TOTAL	57
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN RHODE ISLAND		$57

Refuge	Project	Amount ($000)
SOUTH CAROLINA		
Cape Romain NWR	Replace utilities	7.4
(35)	Repair LCM	9.1
	Replace vehicle and equipment	18.5
	TOTAL	35
Carolina Sandhills	Boundary and road repair	18
NWR	Dam rehab	2
(20)	TOTAL	20
Santee NWR	Replace vehicle, equipment	50
(67)	Rehab visitor building	5
	Underground wiring and landscaping	5
	Maintain canal	3
	Replace signs	4
	TOTAL	67
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN SOUTH CAROLINA		$122
SOUTH DAKOTA		
LaCreek NWR	Rehab dikes	36
(36)		
Lake Andes NWR	Repair of dams and dikes	11
(66)	Rehab roads	12
	Replace vehicle	12
	Replace 1975 4x2	9
	Rehab residence	8
	Upgrade radio system	14
	TOTAL	66
Madison Wetlands	Repair boundaries, dams, fences, and trails	39
Management	Restore habitat	17
District	TOTAL	56
(56)		
Sand Lake NWR	Repair water control system	30
(70)	Rehab roads and buildings and well	40
	TOTAL	70
Waubay NWR	Improve and maintain habitat	44
(80)	Replace equipment	8
	Rehab fence	20
	Replace visitor contact station	8
	TOTAL	80
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN SOUTH DAKOTA		$308

Refuge	Project	Amount ($000)
TENNESSEE		
Hatchie NWR	Rehab water control structures	2
(10)	Repair roads	8
	TOTAL	10
Reelfoot NWR	Replace vehicles	36
(50)	Repair 1951TD-9 & 1954D-7	14
	TOTAL	50
Tennessee NWR	Rehab roads and bridges	26
(60)	Rehab spillway	4
	Improve habitat	10
	Maintain vehicles	10
	Replace sign	10
	TOTAL	60
Cross Creeks NWR	Rehab roads and signs	25
(38)	Rehab water control system	9
	Rehab and replace vehicles	4
	TOTAL	38
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN TENNESSEE		$158
TEXAS		
Anahuac NWR	Rehab road	60
(70)	Rehab water management system	10
	TOTAL	70
Aransas NWR	Rehab road	30
(80)	Repair facilities	30
	Improve habitat	20
	TOTAL	80
Attwater Prairie	Replace fence	30
Chicken NWR	Gravel road	10
(40)	TOTAL	40
Buffalo Lake NWR	Improve dikes and entrance road	20
(20)		
Brazoria NWR	Gravel entrance road	20
(20)		
Hagerman NWR	Repair dike	12
(35)	Rehab fence	23
	TOTAL	35
Laguna Atascosa	Construct dikes and water control structures	40
(80)	Replace fence	30
	Maintain facilities	10
	TOTAL	80

Refuge	Project	Amount ($000)
McFaddin NWR (30)	Rehab road and facilities	20
	Stabilize slopes around facilities	10
	TOTAL	30
Muleshoe NWR (20)	Rehab headquarters site	13
	Rehab low water crossing	7
	TOTAL	20
Rio Grande Valley NWR (30)	Rehab water delivery system	30
San Bernard NWR (47)	Rehab roads and dike	25
	Replace water delivery system	10
	Rehab fence	10
	Replace equipment	2
	TOTAL	47
Santa Ana NWR (60)	Rehab water delivery system	20
	Build additional water delivery system	20
	Repair visitor access facilities and replace signs	10
	Repair and replace equipment	10
	TOTAL	60
Texas Point NWR (30)	Rehab fence and cattle walk	20
	Gravel road and parking area	8
	Replace ATV	2
	TOTAL	30
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN TEXAS		$562
UTAH		
Bear River NWR (55)	Habitat improvement	50
	Upgrade signs	5
	TOTAL	55
Fish Springs NWR (25)	Rehab facilities	20
	Rehab dikes and WCS	5
	TOTAL	25
Ouray NWR (28)	Replace vehicle and equipment	14
	Rehab dikes and WCS	14
	TOTAL	28
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN UTAH		$108

Refuge	Project	Amount ($000)
Missisquoi NWR (46)	Purchase equipment	15
	Improve habitat	3
	Maintenance of headquarters, roads and parking	25
	Maintain vehicles	3
	TOTAL	46
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN VERMONT		$46
VIRGINIA		
Back Bay NWR (98)	Habitat improvement	48
	Monitor beach access	2
	Expand maintenance facility	2
	Improve parking areas, intersection	8
	Maintain signs, upgrade displays	10
	Rehab office	28
	TOTAL	98
Chincoteague NWR (143)	Rehab roads, signs, and fences	73
	Repair, maintain equipment	4
	Improve habitat	60
	Rehab dike	6
	TOTAL	143
Great Dismal Swamp NWR (83)	Water control rehab	17
	Improve habitat	15
	Rehab fences, roads, ditches	43
	Maintain vehicles	8
	TOTAL	83
MacKay Island NWR (55)	Maintain equipment	17
	Rehab dikes	26
	Repair TD-9, IH-190	4
	Rehab roads	5
	Add signs	1
	Rehab water pump	2
	TOTAL	55
Mason Neck NWR (62)	Rehab roads, trails, parking lots	24
	Remove structures	16
	Maintain vehicles and equipment	7
	Improve habitat	5
	Add signs	10
	TOTAL	62
Presquile NWR (43)	Rehab roads, signs	28
	Rehab buildings	7
	Maintain ferry, vehicles and equipment	7
	Maintain bulkhead	1
	TOTAL	43
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN VIRGINIA		$484

Refuge	Project	Amount ($000)
WASHINGTON		
Columbia NWR (60)	Repair water control structures	10
	Repair fences, roads	42
	Maintain signs	8
	TOTAL	60
Lower Columbia River Complex (180)	Improve habitat	180
Nisqually NWR (65)	Repair roads, dikes, trails and signs	65
Turnbull NWR (95)	Repair water control structures and roads	20
	Repair fences	20
	Repair vehicles, equipment	15
	TOTAL	55
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN WASHINGTON		$360
WISCONSIN		
Horicon NWR (64)	Water management	49
	Road maintenance	10
	Aerial spraying of plants	5
	TOTAL	64
Necedah NWR (92)	Repair culverts	3
	Improve pools	74
	Facilities improvement	15
	TOTAL	92
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN WISCONSIN		$156
WYOMING		
National Elk NWR (70)	Replace irrigation structure	10
	Repair roads and trails	14
	Rehab shed, building	19
	Habitat improvement	10
	Overhaul or replace vehicles and equipment	17
	TOTAL	70
Seedskadee NWR (28)	Rehab building	9
	D-8 repair/ROPs addition	9
	Riprap river bank	10
	TOTAL	28
TOTAL ARMM PROJECTS INITIATED BY REFUGE MANAGERS IN WYOMING		$98

Senator McCLURE. Yes, sir.

Mr. GILMORE. We do have, as we change project leaders and, in some cases, where a project leader may not be at a station at the time a project like this or an effort like this starts up, we have different opinions from the individual project leaders, depending on who is there and who put it in. And in some cases, project leaders were on site at the time the program came to life and they disagreed with what was in the original office. In many cases they put in other projects and the regional people disagreed with them. So, we do have disagreement as to what is the most important work to be accomplished, keeping in mind that those project leaders do, indeed, work for the people and are supervised by the people at the regional office. There is going to be disagreement when you move in this kind of——

Senator McCLURE. Surely. I understand that. And I would never expect that there would be a perfect match. I would never expect that managers and employees always agree.

I am not sure that the comments that we are getting are more than normal. I am probing, really, trying to determine whether or not there is more than has met the eye so far or whether it is just what meets the eye.

Mr. GILMORE. If I might add one other subject.

Senator McCLURE. Yes.

Mr. GILMORE. There may be some slight dissension in the field, where people think their opinions were not given adequate consideration. We firmly believe, and I think the majority of the managers believe, that the "good ol' days" in the refuge system are right now, because of the expanded support for operation and maintenance activities at our facilities.

You know, there's not anybody out there that can say "in the good ol' days we had lots of money," because they are going to be as well funded in the maintenance business as they have ever been if this budget flies.

Mr. JANTZEN. Mr. Chairman.

Senator McCLURE. Yes, Mr. Jantzen.

Mr. JANTZEN. What I would suggest, if you have a particular geographical area that you would like for us to look at instead of the whole system, all seven regions, that might be useful, to examine this area in, say, one or two particular areas. We'd be happy to do that.

Senator McCLURE. I'll try to look at that a little further. Maybe we can devise a way which is not too burdensome for you but still would allow me to sample and see whether, indeed, we do have problems. And I don't know that we have, but I'll ask the staff to work with you and we'll see if we can do something.

Mr. JANTZEN. Fine.

Senator McCLURE. Also, I think perhaps the last comment that was made leads me into a comment of my own, that "the good ol' days" are now. There were some maintenance shops that were built up, perhaps

overbuilt, in the 1976 influx of money. We may have such an embarrassment of riches now that it is hard to manage it prudently and we may have people looking back at 1983 and saying, "You didn't spend that money as well as you should have," just as some can point back to 1976 and say perhaps we overbuilt in some instances. That is always a challenge, when you suddenly do have this influx of new money which was above the level of your anticipation. And I'm very happy that it's there. I think it has been needed.

I hope we can do it well so that people, when looking back at this period, will say that all of that money was managed well, and it was all put on priority projects, and it all did exactly what should have happened. And I know that by 20–20 hindsight, perhaps, we're going to say that one or two times we missed. I know that you want to hit it, too; you don't want to waste that money. The need is too great.

ANIMAL DAMAGE CONTROL

You are proposing a reduction of $1,400,000, a 12-percent reduction, in animal damage control operations and a reduction of $297,000—that's an 8-percent reduction—in animal damage control research. The reduction in the ADC operations is justified on the basis that the State has primary responsibility to control damage by resident species and that those that benefit should pay.

What type of mammal is causing the major animal damages?

Mr. JANTZEN. Mr. Chairman, the reduction is aimed primarily at coyote control in the operation side. The reduction in research is related to rodent control research, primarily.

Mr. Smith can speak to the research and Dr. Putz can speak to the operations aspect.

The $1.4 million reduction is in the area of coyote control, primarily, in the Midwest and West.

Senator MCCLURE. You are suggesting that one of the reasons for doing this is that those who benefit should pay. And I assume that is based upon the idea that the animal damage—the control of animal damage—is simply a benefit to the operator and that there is no reason for any control absent the presence of these animals on public lands.

If that is not correct, I would invite you to comment. If it is correct, I'll go to the next point.

Mr. JANTZEN. Mr. Chairman.

Senator MCCLURE. Yes.

Mr. JANTZEN. The animal damage control program we're speaking of, the western damage control program, is carried out not only on public lands but also State and private lands. The principle of user pay or the beneficiaries pay is pretty well established in the present program. The percentage of Federal contribution versus private and or State contribution is the point that my previous statement reaches toward.

Senator MCCLURE. What percentage should they contribute?

Mr. JANTZEN. There has been a suggestion to me that perhaps the Federal share should be one-third and the State, local, private participa-

tion be two-thirds. Traditionally, it has been that way. However, in recent years, the funding distribution shifted back about a 50–50 split. This particular budget suggestion is aimed at bringing the Federal share more in line with the traditional participation level. It will not come down to the one-third level, but it will reduce the Federal side approximately 45 percent.

Dr. PUTZ. As Mr. Jantzen said, the western program will be about 45 percent. However, the national program will be nearly 50 percent. With the 1984 budget we still have $10.5 million in our total ADC operations for mammals and migratory birds. And from the other sources, State, non-Federal, and other Federal, $10.4 million. So, we're still at nearly a 50–50 in the 1984 budget.

Senator MCCLURE. The figures I have are $10.5 million by the cooperators and $9.6 million from the Service for operations.

Dr. PUTZ. Well, for the mammal damage control program which includes coyotes, it is $8.572 million in fiscal year 1984.

However, I am totaling all of our operations, which is migratory bird operations, as well as the total mammal damage control program, and that balances out to about a 50–50 program.

FEDERAL SHARE-ADC

Senator MCCLURE. One of the problems we have—and I don't know if the one-third or two-thirds is right, but obviously, one of the problems we have is that these predators don't necessarily know where the boundary is between public lands, State lands, or private lands. They are resident in one sense but they are not resident in that specific sense. In some areas where you have 10 percent Federal lands and 90 percent non-Federal lands, that might call for a different mix of responsibility than it would in another area that's 90 percent Federal lands and 10 percent private.

Take up in Custer County, Idaho, 93 percent federally owned; is a one-third to two-thirds split appropriate in a situation like that?

Mr. JANTZEN. Mr. Chairman, the land ownership question and the land ownership situation is certainly different from one State to the other. The term "resident" as used in the budget justification, and on a day-to-day basis, speaks primarily to the nature of the animal and the habits of the animal rather than the land that it occurs on. Of course, you're absolutely right, when you say that animals do not recognize State, private, or Federal land boundaries. There's been no effort on the part of the Fish and Wildlife Service to tie the ownership of wildlife to a particular land status.

We classify species as resident because of the habits, such as deer or coyote, which are sedentary. They're nonmigratory in terms of the Migratory Bird Treaty Act, for example. Resident species have traditionally been the responsibility of the State in which they occur. That's the way we use the term "resident" rather than land ownership.

REGULATING ANIMAL DAMAGE

Senator McCLURE. Well, maybe if the Federal Government is going to reduce its funding, the Federal Government ought to at least allow the States and private cooperators to use the most effective means that they determine rather than establishing the regulations and saying, "No, you can't do that, but it is your responsibility to do it some other way." If the Federal Government is going to be that restrictive, maybe the Federal Government has more of a financial responsibility.

Mr. JANTZEN. Mr. Chairman, I understand your argument. They are not our regulations.

Senator McCLURE. I understand that. They are part of the same Government.

Mr. JANTZEN. That is correct, sir.

And I would point out that we were able to have a rescission of the Executive order that kicked this whole thing off in 1972. I think we have a little better management environment now than we had, say, a year or so ago.

Senator McCLURE. No question of that, and I appreciate that.

I think you would know that I would have to also say I think there is a little bit more we have to do. But I think we are making progress, and I think that the people out there understand that and appreciate the progress that has been made.

But there is concern about the simultaneous shift of funding. As you would know, the livestock operators are not in very good financial condition right now; the States are no better. We focus so much on our own problems in the Federal budget that we forget there are severe problems out there in other budgets as well.

LOWER SNAKE RIVER MITIGATION

Let me shift, in the few moments I have remaining here, to the Lower Snake River compensation plan.

You are proposing the establishment of a new appropriation to fund the operation and maintenance of mitigation hatcheries on the Lower Snake River. You are also scheduled to submit legislation establishing the mechanism to have Bonneville Power Administration power customers bear the cost of these hatcheries through their rate structure and to have the Fish and Wildlife Service reimbursed to operate these hatcheries.

Does BPA currently charge its customers the full amount needed to operate these hatcheries?

Mr. JANTZEN. Mr. Chairman, as I understand it they do accommodate some portion of the costs for operations and maintenance costs in their rate structure. There may have to be some rate adjustment; that is my understanding. I can't tell you exactly what that would be.

Senator McCLURE. And you don't know how much that rate increase would have to be, I take it?

Mr. JANTZEN. No, sir, I don't have any knowledge of that.

Senator McCLURE. Last year the committee added $1,200,000 to keep the compensation plan on schedule. That brought the fiscal year 1983 funding for these hatcheries up to $2,287,000. Your 1984 justification, however, shows 1983 funding at $2,229,000.

What is the difference in those two figures—not arithmetically, programatically?

Mr. JANTZEN. Mr. Chairman, I think we'll have to research that one. I can't answer your question.

Senator McCLURE. Would you provide it for the record, please?

Mr. JANTZEN. Yes, sir, we will.

[The information follows:]

LOWER SNAKE RIVER COMPENSATION PLAN

The $2,287,000 fiscal year 1983 funding level cited for Lower Snake River compensation plan (LSRCP) activities represents the total amounts specifically requested by or appropriated to the Service for the LSRCP from fiscal year 1980 through fiscal year 1983. In fiscal year 1982, however, two adjustments to the Service's resource management appropriation (transfer of general administrative services costs to a new general administration budget activity, and an appropriation-wide 4 percent reduction in funding) reduced LSRCP base funding in the fishery resources activity from $1,087,000 to $1,029,000. With $1,200,000 added by the Congress in fiscal year 1983, total LSRCP funding in the Service resource management appropriation totals $2,229,000.

FUNDING NEEDED TO KEEP HATCHERY ON SCHEDULE

Senator McCLURE. The total fiscal year 1984 funding proposed for the plan is $3,657,000 or an increase of $1,428,000 over 1983 appropriations to date. That is up 64 percent.

Is this the amount needed to keep the hatchery funding on schedule, regardless of source of funding?

Mr. JANTZEN. Mr. Chairman, as I understand it, it is the amount that would be required according to the Corps of Engineers construction schedule. Dr. Kutkuhn may have additional information on this, if you want to pursue it.

Dr. KUTKUHN. Mr. Jantzen, you are correct.

Senator McCLURE. Do you have the draft legislation prepared yet?

Mr. JANTZEN. Yes, sir, it is prepared. It is under review in the Department.

I would like to point out to the chairman that we are also working with a memorandum of understanding, or memorandum of agreement, on an administrative basis, right now, in order to give BPA sufficient time to accommodate total project costs. We think we can approach it both ways, and, essentially, that is what we are doing.

Senator McCLURE. Well, I do understand that you have. I think it is an April 12, 1982, memorandum; is it not, that you refer to?

Mr. JANTZEN. No; a memorandum of agreement with Bonneville Power is necessary in order to assure sufficient time for BPA to adjust rates for the Lower Snake costs. The legislation is still being reviewed by the administration.

Senator McCLURE. Well, let me refer to a specific memorandum, then, and see if I understand it correctly.

As I understand the April 12, 1982 memorandum from the Assistant Solicitor, the Water Resources Development Act of 1976 requires one of the fishery agencies to fund the operation and maintenance cost of the Lower Snake River compensation plan through the appropriations process. Is that a correct statement of that memorandum?

Mr. JANTZEN. I would have to review the memorandum, Mr. Chairman.

Senator MCCLURE. Is that a correct statement of what you understand the law to be?

Mr. JANTZEN. Yes, sir, Mr. Chairman. Our understanding is that under the existing laws, the FWS must request appropriations for Lower Snake River compensation plan costs; however, existing laws would also require Bonneville Power Administration to pick up the cost of operating and maintaining those mitigation hatcheries on the Lower Snake and deposit those costs in Treasury. The direction we were headed with the draft legislation would allow Bonneville Power to fund the FWS directly rather than deposit to Treasury.

Senator MCCLURE. That it allows or requires?

Mr. JANTZEN. It does require.

Senator MCCLURE. Does not require.

Mr. JANTZEN. As I recall it does mandate, Mr. Chairman.

Senator MCCLURE. Yes.

Mr. JANTZEN. On page 323 of the budget justification, it states that their authorization, the Water Resources Development Act of 1976, authorized the Lower Snake compensation plan to mitigate the fish and wildlife losses because of Corps of Engineer projects.

The Federal Columbia River Transmission System Act, 16 U.S.C. 838, provides that the Bonneville Power Administration shall adjust rates for power sales in order to recover all projects costs. As I understand that language, it would tend to say requires.

Senator MCCLURE. Well, what is included in project costs?

Mr. JANTZEN. The compensation plan clearly defines the project costs. Mitigation that includes planning, operations, and maintenance costs, would be included in project costs.

Senator MCCLURE. So, if that is the case, then, it would be your contention that no further legislation is required.

Mr. JANTZEN. Not exactly, sir. The legislation would be required to accept BPA funds and allow the Service to recover those actual operations and maintenance costs directly. This will eliminate the need for additional appropriations annually. There would be no requirement for any additional legislation speaking to the need for mitigation and operation and maintenance of mitigation facilities. I think that is adequately handled in the present law.

Senator MCCLURE. If I understand correctly, it is your position that the current law requires that the BPA collect this money and reimburse the Treasury for the cost.

Mr. JANTZEN. Yes, sir; the proposed legislation would establish a special account for that purpose.

Senator McCLURE. Now, in your justification you pointed to the Water Resources Development Act and the Fish and Wildlife Coordination Act. You also make some reference to the Federal Columbia River Transmission System Act. You have not mentioned, on page 323 of the your justification, the Northwest Power Act.

Am I correct in assuming that the derivative authority upon which you base this action is the three acts to which I have referred, and not to the Northwest Power Act?

Mr. JANTZEN. Yes, sir, basically the two: Water Resources Development Act and the Federal Columbia River Transmission System Act.

Senator McCLURE. If I understand correctly, what you are pointing to is the fact that BPA has to pay to Treasury but it doesn't automatically come back to the Fish and Wildlife Service.

Mr. JANTZEN. Yes, sir.

Senator McCLURE. Is it your understanding that BPA is currently collecting the amount required by the other statutes?

Mr. JANTZEN. To some degree. I don't believe they are, sir, at this point.

Senator McCLURE. At this point?

Mr. JANTZEN. At this point in time, I believe BPA is accommodating some portion of FWS costs in their rate structure.

Senator McCLURE. Is the Corps being reimbursed for construction costs?

Mr. JANTZEN. Just a moment.

You mean, Mr. Chairman, on the preceding question?

Senator McCLURE. Yes, sir.

Mr. JANTZEN. I understand that we have directed a memo to BPA, asking them to start adjusting their rate to collect money sufficient for this purpose.

Senator McCLURE. And that is based upon the other statutes and not the Northwest Act?

Mr. JANTZEN. Yes, sir.

Senator McCLURE. Is the Corps being reimbursed for construction costs?

Mr. JANTZEN. Mr. Chairman, I am advised that technically they are supposed to be reimbursed for the project in total. They are somewhat in deficit right now, but they will be reimbursed for the entire project.

Senator McCLURE. Does that go to the Corps or does that go to the Treasury?

Mr. PARISOT. It goes to the Treasury.

Senator McCLURE. Is that both on construction and operations?

Mr. PARISOT. I'm sure on construction. I'm not quite sure on operation.

Senator McCLURE. Would you provide that for the record, please?

[The information follows:]

LOWER SNAKE RIVER COMPENSATION PLAN

From fiscal year 1979 through fiscal year 1985, the Army Corps of Engineers (ACOE) estimates it has or will expend about $119.6 million for construction of LSRCP fishery facilities, including all planning and interim operation costs. According to BPA staff, these expenditures have been incorporated into BPA rate-base calculations, but no costs have yet been reimbursed to the U.S. Treasury. In addition, about 30 percent ($3.8 million) of the $12.6 million FWS has spent or proposes to spend from fiscal year 1980 through fiscal year 1985 for planning, operation, and maintenance of LSRCP facilities has been incorporated into BPA's rate base. The $3.8 million has been or will be reimbursed to the U.S. Treasury.

These costs have been built into the BPA rate structure even though the Service just recently provided initial estimates of LSRCP expenditures to BPA. The ACOE has not yet formally submitted a request to BPA for reimbursement of any LSRCP costs. According to ACOE staff, their policy is to request reimbursement only after a project is completed. Since their financial staff has considered LSRCP a single project, they had not planned to request reimbursement until all LSRCP construction is completed in fiscal year 1988. Because of the nature of the LSRCP, however, in the ACOE may decide that each installation is a separate project and initiate a request for reimbursement before fiscal year 1988.

ACOE staff also informs us that each fall since 1978, the ACOE has provided BPA with estimates of expenditures for LSRCP construction for the coming fiscal year and for a number of years into the future. Since 1979, these figures have included an estimate of costs incurred by FWS for operations and maintenance of LSRCP fishery faciliites, although the amounts reported to BPA by the ACOE have consistently been lower than actual FWS expenditures and estimates. Even though there has been no official request for reimbursement, BPA has routinely incorporated these ACOE estimates of expenditures when calculating its rate base. Hence, electric power users in the Pacific Northwest have been charged at least a portion of the cost of the construction and operation costs of LSRCP facilities.

This procedure assures that all annual costs included in the estimates supplied by the Corps will eventually be reimbursed to the U.S. Treasury. However, it is unlikely that any of the LSRCP fishery facility construction costs have been repaid to date. While existing law requires that BPA repay all capitalized costs within 50 years, BPA repays capitalized costs bearing the highest interest rates first. Since the interest rate for funds used to build LSRCP facilities is less than 7 percent, and because there have been other extensive capital expenditures in recent years that carry much higher interest rates, costs for LSRCP fishery facilities will likely not be repaid for quite some time given the current rate of repayment.

ADDITIONAL MATERIAL SUBMITTED

Senator MCCLURE. We have received a letter from Senator Hollings with a resolution from the American Fisheries Society which will be inserted in the record at this point.

[The information follows:]

LETTER FROM SENATOR ERNEST F. HOLLINGS

APRIL 4, 1983.

Hon. JAMES A. MCCLURE,
Chairman, Interior and Related Agencies Subcommittee,
Committee on Appropriations, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a resolution of the South Carolina Chapter of the American Fisheries Society in support of the National Fish Hatchery System. I would

appreciate your arranging for this resolution to be printed in your hearing record on the 1984 budget of the Fish and Wildlife Service.

With kindest regards, I am

Sincerely yours,

ERNEST F. HOLLINGS.

A RESOLUTION EXPRESSING THE SOUTH CAROLINA CHAPTER'S SUPPORT OF THE FEDERAL FISH HATCHERY SYSTEM OF THE UNITED STATES FISH AND WILDLIFE SERVICE

Whereas, the National Fish Hatchery System of the U.S. Fish and Wildlife Service represents a cooperative effort among Federal and State agencies to provide fishery products and technical expertise unavailable from other sources; and

Whereas, the National Fish Hatchery System has made invaluable contributions to the understanding and management of the fishery resources throughout the United States; and

Whereas, the fiscal year 1983–84 budgets of the U.S. Fish and Wildlife Service proposed a signficiant reduction in hatchery facilities; Now, therefore, be it Resolved, that the South Carolina Chapter of the American Fisheries Society, assembled at its annual meeting, February 24, 1983, in Santee, South Carolina, herewith recognizes, appreciates, and supports the contributions of the National Fish Hatchery System to the enhancement of our natural resources and their associated recreational and commercial opportunities; and be it further Resolved, that the U.S. Fish and Wildlife Service is urged to budget funds for fiscal year 1983 and thereafter and that Congress and the President of the United States appropriate funds for continued operation of the program at its full staffing level for the existing units.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. There are a number of other questions that we will submit for the record for response in writing, and other members of the committee may desire to do so as well. We'll submit those promptly, and hope that you can get the information back to us quickly.

Mr. JANTZEN. We'll do our very best, sir.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Coal and Minerals

Question: Turning to the Habitat Resources program (formerly Habitat Preservation, including permits and licenses), you have proposed two reductions totaling $633,000 (-29%) (p. 26). These reductions affect the coal program and the minerals operations program and will reduce the amount of fish and wildlife information developed prior to coal or minerals development. What will happen as a result of these reductions?

Answer: The Service will meet its responsibilities for general biological assessments of fish and wildlife impacts for proposed coal and minerals mining. The collection of additional information or the use of sophisticiated analytical techniques such as the Rapid Assessment Methodology will be done on a reimbursable basis for the lead Federal and State agencies when requested.

Question: Do you anticipate BLM or the Forest Service or another agency involved in this type of activitiy to increase the reimbursement of FWS activitites?

Answer: The FWS has historically received reimbursable funding from a wide variety of agencies which needed information and/or specialized expertise. Therefore, the Service fully expects to be funded by BLM and FS for any priority resource data/analyses they need, which is more than the Service would normally provide in meeting its basic responsibilities.

Decreased Reimbursements and the Minerals Program

Question: You say that it is a "possibility" but on page 206 you show reimbursements estimated to be received in FY '84 to be down 17% from the FY '83 estimate and down 30% from the 1982 actual level of reimbursements. Does the fact that you estimate reimbursements to decline mean that, in fact, you don't really expect this money to be made up from another source?

Answer: The significant decline in reimbursements will result mainly from reductions in funds received from the Corps of Engineers. We anticipate that the $200,000 of estimated reimbursements for our efforts in mineral activities will enable us to provide an adequate level of technical assistance.

Workload Estimates

Question: Your estimates of what will happen haven't always been on target. For example, in FY '83 you estimated that you would do 200 resource category determinations. Now, you've reduced that estimate to 150. In 1983 you estimated that you would participate in 26 OCS lease sale activities. Now that has been reduced to 22. OCS exploratory/development plans are reduced from 2,880 to 2,400. There are other examples where you are revising your FY '83 accomplishments downward, in spite of the fact that Congress increased your FY '83 budget over $2.5 million (+8%) for these activities. What is causing these adjustments?

Answer: The amount of technical assistance needed from the Service for energy leases from year-to-year is difficult to predict accurately. The Service bases its estimates on workload of previous years and general projections by other agencies. In response to the funding question, the number of FY '84 energy leases may be less than originally predicted, but the complexity (and cost) of providing technical assistance per leasing activity has increased. One reason for the increased complexity is that the average size of the lease areas has been getting larger, involving more habitat. For example, in FY '82 the Service participated in 220 coal lease activities involving 615,000 acres of habitat. In FY '84, we anticipate participating in fewer coal lease activities (i.e., 190) that involve a much larger number of acres (i.e., 1,885,000).

Minerals Research

Question: Another reduction is proposed for the Biological Services activity that you suggest will be made up by reimbursements (p. 59). You know, the thing that bothers me about this type of proposal is that it is the FWS responsibility to protect certain types of wildlife resources whether other agencies do so or do not. If the reimbursements do not materialize, for example, this reduction will eliminate FWS funding for the development of technical information designed to ensure consideration of fish and wildlife needs in energy and minerals development decisionmaking. Isn't there a continuing and increasing need for this type of activity?

Answer: There is a continuing need for minerals research, particularly in the area of strategic mineral development in the western States and phosphate mining and shipping in the eastern States. Reimbursements in FY 1984 are projected to be about $200,000 and should be adequate to support Service input. Also, Section 702(a) of P.L. 95-87, the Surface Mining Control and Reclamation Act of 1977, states that the Act does not supercede, amend, or repeal existing legislation such as the Fish and Wildlife Coordination Act and the Endangered Species Act. Section 413 of P.L. 95-87 requires all agencies to cooperate with the Secretary of Interior by providing technical expertise. The Service will meet its legislated responsibilities as demonstrated by its Memorandum of Understanding with the Office of Surface Mining Reclamation and Enforcement.

Wildlife Resources

Question: Mr. Jantzen, the Service has managerial responsibility for about 88 million acres. I've heard it expressed that the refuge system only offers refuge for 15% of the Nation's wildlife resources. Is that about right?

Answer: The Nation has approximately 2,314,000,000 acres while the Refuge System totals 88,000,000 acres or about 3.8% of the Nation's land. The Refuge System, however, is comprised of lands of high wildlife value estimated to be about 15%.

Question: For example, pre-development consultation activity would seem to have the potential to avoid unnecessary confrontations between Service personnel and other personnel involved in project operations. However, you've proposed a cut there. Also, the identification of unknown pollutants which may adversely affect the fish and wildlife habitats would seem to be another area where the Service could significantly protect the entire wildlife resource population but, again, you've proposed a cut. What would you emphasize as your highest priority?

Answer: The reduction in Pre-Development Consultation is for Coal and Minerals Operations. It is anticipated that reimbursable funding from other agencies for those programs will be adequate to support Service input.

The reduction in monitoring is recommended because States and the private sector should play a greater role in contaminant monitoring and analysis. Section 816.42(a)(7) of the coal surface mining regulations (30 CFR) directs that "Discharges of water from areas disturbed by surface mining shall be made in compliance with all Federal and State laws and regulations....." This Section also lists numerical effluent criteria limitations for iron, manganese, suspended solids, and pH. Section 816.97(a) states that mining activities "shall minimize disturbances and adverse impacts of the activities on fish, wildlife and related environmental values, and achieve enhancement of such resources where practicable." Interior's Office of Surface Mining Reclamation and Enforcement monitors compliance with these regulations. The Bureau of Land Managment and Forest Service use similar criteria as conditions for other types of mining leases.

The Service strongly supports the activities of the Habitat Resources Category as one of the highest priorities in the protection of "off-refuge" resources. Work in determining how changes in environmental conditions, brought about by developments, affect fish and wildlife resources and making information and recommendations available to decisionmakers for the conservation, protection, and enhancement of fish and wildlife and their habitats represents one of the Service's primary means of protecting "off-refuge" resources.

Analytical Analyses

Question: Please provide for the record any material you have supporting the statement on p. 41 that "FWS accelerated the analytical analysis for the Monitoring Program in 1983 resulting in a reduction of analytical needs for 1984."

Answer: During FY '83, funds were programmed to accelerate analytical analysis for chlorinated hydrocarbon pesticides (e.g., DDT, Mirex, and Heptachlor) and PCB's, associated with contaminant investigations in support of field operations. This enhanced analytical effort during FY '83 should result in diminished analytical requirements associated with this task during FY '84. Because of Congressional action with respect to the FY '83 budget which restored previously planned reductions of several contaminant research projects, the Service continued emphasis of the analytical related aspects of these activities. In addition, the Service has increased the analytical analysis of newly identified contaminants such as 5 methyl 1, 2, 3-thiadiazol, polychlorinated ethers, 3-(bromomethyl) cyclohexene, and 3-(chloro-1-proponyl) cyclohexane, associated with agricultural and industrial compounds.

National Wetlands Inventory

Question: According to your notes, p. 44, you have mapped 25% of the conterminous United States through 1982, and you will map an additional 5% per year through 1988. By my calculation, this means that you will have mapped 55% of the U.S. Does all of this area qualify as "high priority," in terms of wetlands?

Answer: Yes, the 55% of the surface area of lower 48 States that will be mapped includes those wetlands that "qualify" as highest priority for the Fish and Wildlife Service and its State and Federal cooperators.

Coastal Barrier Resources Act

Question: Your statement refers to the Coastal Barrier Resources Act. Please provide a summary of activities taken to date under this act and provide a narrative description of what activities need to be taken in the next three years. Do not tailor your answer to a funding level but describe instead what the Service would recommend.

Answer: Under the chairmanship of Mr. Ric Davidge from the Office of the Assistant Secretary for Fish and Wildlife and Parks, the Coastal Barriers Task Force, comprised of representatives from the National Park Service (NPS), the U.S. Fish and Wildlife Service (FWS), and USGS, has completed the following requirements of the Coastal Barrier Resources Act: (A) production and distribution of maps of the System, as determined by Congress; (B) identification of minor and technical boundary modifications; (C) publication of a final rule on the opting-in provision; (D) determination of protected areas on the Atlantic and Gulf Coasts; and (E) release of preliminary consultation guidelines to implement Section 6 exceptions.

After completion of short-term requirements of the Act, the Task Force was dissolved on May 2, 1983. Except for Section 10 (reports to Congress), DOI implementation requirements will be delegated to the FWS. Section 10 requirements will be jointly accomplished by FWS & NPS.

The FWS will accomplish the following activities during the next three years: (A) a recommendation to the Congress that protected areas be included in the

Coastal Barrier Resources System; (B) establishment of procedures for consultation with Federal agencies, under the Section 6 exceptions, and participation in those consultations as the lead Interior agency; and (C) establishment of procedures for Department of Interior compliance and for annual reports to OMB.

Also, under Section 10, in cooperation with NPS, FWS will (A) determine the location of coastal barriers in the Great Lakes, West Coast, and Territories; (B) make recommendations for additions or deletions to the System; and (C) develop management alternatives. The Service will deliver the results of these efforts to the Congress in October, 1984. If the Act is amended at any time by the Congress, FWS will revise and distribute amended maps. At the close of the open season for opting into the System (i.e., October 18, 1983), FWS will conclude this provision of the Act.

Water Rights

Question: You are also proposing to reduce the activity needed to justify water rights for our refuge system. This reduction ($-146,000 or 44%) will result in the Service deferring several projects into FY 1985. What are these projects?

Answer: The program is being continued at the current level, with approximatley $180,000 of base funds available to do the necessary water rights activities. The Service is deferring the purchase and installation of automatic water measuring devices at Sheldon, Hart Mountain, William Finley, Medicine Lake, Arapaho, Ouray, and Red Rock Lakes National Wildlife Refuges.

Question: Why do we want to defer these projects into FY 1985--is it purely for budgetary savings?

Answer: No, it is not for budgetary savings. The Service feels its budget is currently adequate for high priority water rights work and appropriate to existing staffing levels.

Western Hemisphere Convention

Question: You are proposing to delete the $150,000 added by Congress last year to support the Convention on Nature Protection and Wildlife Preservation in the Western Hemisphere. What specific activities will these funds support in 1983?

Answer: After discussion with the National Park Service, Department of State, and several non-government organizations with an interest in the Western Hemisphere Convention, the Service has developed an agenda of activities in support of the Western Convention for FY 1983. In addition to Convention activities supported by Service base funds, those that will be funded by the $150,000 added by Congress in FY 1983 are summarized below:

Training ($50,000) - eight workshops or seminars covering such topics as wildlife refuge management, conservation of crocodilians, wildland planning, environmental interpretation, and resource management for park rangers.

Publications ($7,000) - publication and distribution of technical information on wildlife studies of Central America.

Migratory Birds ($58,000) - six projects covering issues such as migratory bird research and management, inventory of wetlands and their waterfowl inhabitants and Arctic-to-Tropic migration to characterize Latin American ecosystems.

Plants ($15,000) - support of a project to study plant ecosystems in Latin America and the Caribbean.

Bilateral Projects ($20,000) - six projects directly involving personnel of Convention party countries (including Mexico, Paraguay, and Costa Rica), on planning conservation projects for other flora and fauna.

Question: How much will be left in the base to support this activity in FY 84 if Congress agrees with your proposal?

Answer: Prior to the $150,000 Congressional add-on for FY 1983, the Service had devoted approximately $240,000 for international activities related to implementation of the Western Hemisphere Convention, which has been continued in the FY 1984 base. Budgeted under the Executive Direction, Wildlife Resources and Endangered Species Programs, these base funds have been used in past years to establish close cooperation and communications with the other party nations; to identify birds which migrate between the United States and contracting parties, including their habitats and needed protective measures; to identify protective measures for wild plants addressed by the Convention; and to conduct cooperative training workshops. These activities will be continued, and the Service has no additional priorities for funding that would necessitate a Congressional addition of funds in this area.

WILDLIFE RESEARCH

Question: Your ADC research proposal is to close two stations in FY 84. Will any change be made in those stations prior to Congressional action?

Answer: No changes will be made at any research field stations prior to Congressional direction.

Question: Please provide a complete list of all ADC research stations, the work units undertaken at each, and the staffing and funding by work unit and by research station.

Answer: The list of research field stations, projects, funding, and staffing is as follows:

BIRD DAMAGE CONTROL RESEARCH

Field Station: Sandusky, Ohio
Project: Population Dynamics, Northeastern Crops
Funding: $238,900
Staffing: 5.9 Full-time equivalents

Work Units:

Model of continental populations of blackbirds.

Development of systems to rate corn hybrids for resistance to bird attack.

Population trends of blackbirds and starlings in North America.

Index of blackbird and starling populations during August and September along the South shore of Lake Erie from Sandusky to Toledo.

The relationship between insect populations and blackbird feeding activity in cornfields.

Improved understanding of the chronology of blackbird damage to corn.

Relation between incidence of damage and total corn removed by blackbirds in cornfields.

Development and testing of radar devices for counting numbers of flying birds.

Field Station: Gainesville, Florida
Project: Behavior, Toxicology, Southeast Crops
Funding: $243,100
Staffing: 6.5 Full-time equivalent

Work Units:

Analysis of habitat manipulations as means of discouraging roosting by blackbirds and starlings.

Development of methods to assess bird damage in ripening rice.

Determination of potential primary and secondary hazards to nontarget species feeding in ricefields seeded with methiocarb treated seed.

Field Station: Bowling Green, Kentucky
Project: Winter Roost Problems
Funding: $285,200
Staffing: 6.7 Full-time equivalents

Work Units:

Blackbird-starling roost survey methodology.

Determining movement and migration patterns of blackbirds and starlings.

Transfer of information to users, extension and public relations activities.

Development of bird activity and indices at livestock feed troughs as an indirect measure of feed consumption by starlings.

Evaluation of nontarget hazards of lethal roost control agents.

Studies to enhance the effectiveness of PA-14 in reducing blackbird-starling numbers in roosts.

Determining the influence of helicopters on roosting populations of blackbirds and starlings.

Determine photoperiodic and behavioral induction of spring conditions in starlings as a possible roost dispersal technique.

Ecology of blackbird and starling winter roost formation.

Determination of the bird related parameters necessary to produce histoplasmosis-positive bird roosts.

Behavior of starling and blackbirds utilizing livestock feeding areas.

Evaluation of helium-filled balloons for dispersing blackbirds and starlings from winter roosts.

Field Station: Davis, California
Project: Western Crops, Aviation Hazards
Funding: $124,000
Staffing: 3.8 Full-time equivalents

Work Units:

Determine if Mesurol-induced aversion is socially transmitted to young and/or conspecifics.

Comparative repellency of methiocarb-treated grapes to four species of fruit-eating birds.

Effectiveness of partial-coverage Mesurol sprays for protecting ripening wine grapes from bird damage.

Effectiveness of various kite-baloon device components and their combinations for reducing bird damage in grape vineyards.

Develop procedures to reduce bird hazards at or near airports by management of the nesting, roosting, and perching cover.

Develop procedures to reduce bird hazards at or near airports by management of agricultural aspects.

Assess the ecological aspects of cattle egrets at Hilo, Hawaii airport and develop strategy to reduce risks.

Develop standardized procedures for assessing bird hazards near airports.

MAMMAL DAMAGE CONTROL RESEARCH

Field Station: Olympia, Washington and Bend, Oregon Field Stations
Project: Forest Crops
Funding: $200,000
Staffing: 9.5 Full-time equivalents

Work Units:

Developing chemical repellents and plastic materials for protecting conifer seedlings from deer and elk.

Evaluation of Vexar^{R} tubes and increased stockings rates to alleviate reforestation losses by pocket gophers.

Toxicity and acceptance bioassays of selected toxic and nontoxic agents on mountain beavers (Aplodontia rufa).

Transfer of information to users, extension, and public relations activities.

Influence of pocket gophers on survival of operationally planted Vexar^{R} enclosed conifer seedlings. (Cooperative study with USFS).

Evaluation of tree protection materials to prevent damage by mountain beavers.

Effects of strychnine baiting in forest plantations on pocket gophers and other small mammals.

Hazards to ground squirrels and other select species of wildlife from strychnine baiting for pocket gophers.

Effect of Vexar^{R} seedling protectors on development of lodgepole pine roots and root damage by pocket gophers.

Wildlife reforestation problems on Bureau of Land Management lands in western Oregon: state-of-theart.

Analysis and evalution of seedling protection materials for reducing wildlife damage on BLM lands in western Oregon.

Toxicity of DRC-4575 to mountain beavers (Aplodontia rufa).

Field Station: Hilo, Hawaii
Project: Hawaiian Agriculture Crops
Funding: $97,000
Staffing: 4.3 Full-time equivalents

Work Units:

Nontarget and secondary hazards of anticoagulant rodenticides.

Extension services, dissemination of information to users and public relations.

Evaluation of new rodenticides and formulations.

Incorporate rat damage assessment into the genetics program for variety development.

Cattle egret biology and control.

Field Station: Gainesville, Florida
Project: Southeastern U.S. Agriculture Crops
Funding: $62,000
Staffing: 2.8 Full-time equivalent

Work Units:

Comparative effectiveness of full-field and field-edge bait applications in delivering baits to sugarcane field rat populations, with removal of rats at edges of edge-treated fields.

Efficacy of aerial application of ZP^{R} Rodent Bait AG (Bell Laboratories, Inc.) for reducing rodent populations in Florida sugarcane.

PREDATOR DAMAGE CONTROL RESEARCH

Field Station: Twin Falls, Idaho and
Dallas, Oregon Field Stations
Project: Predator Management Systems
Funding: $126,000
Staffing: $5.3 Full-time equivalents

Work Units:

Management information system input and analysis.

Effectiveness of predator control in reducing livestock losses.

Identification of areas in western states with high livestock losses to predators.

Direct and indirect costs of predation on livestock.

Field Station: Uvalde, Texas and Logan, Utah Field Station
Project: Predator Ecology and Behavior
Funding: $265,000
Staffing: 8.3 Full-time equivalents

Work Units:

Develop and evaluate coyote indexing/censusing techniques.

a. Serve as consultant to the Animal Damage Control Program with regard to coordination and analyses of the Western States Survey of Predator Abundance.

b. Determine relationship between indices and real densities through use of (1) population reductional techniques, and/or (2) mark-recapture protocols.

c. Assess the characteristics and biases associated with using scat deposition rates as an index of coyote abundance.

d. Investigate alternate means of assessing relative and/or absolute numbers of native carnivores.

Investigate influence of nutrition and density upon coyote reproductive performance.

Establish patterns of mortality within coyote populations as they influence population densities.

Assess the impact of changes in environmental factors upon coyote movements and activities, such as dispersal, size of activity area, and behavior of animals in different parts of these activity areas.

a. Assess differential behavior of coyotes toward artificial stimuli such as trap sites and scent stations with regard to territorial boundaries.

b. Determine the degree to which territory size of coyote varies with changes in prey abundance.

Develop a coyote population model.

Determine the impact of coyote predation upon prey population, density, reproduction, and mortality.

Identify, define, and quantify the behavioral aspects influencing coyote population parameters and predator-prey interactions.

a. Describe, catalog, and interpret the behavioral repertoire of coyotes.

b. Explore the physiology and psychology of food preference among coyotes.

c. Determine the effect of tubal ligation and vasectomy upon pair bonding and territorial defense behaviors among captive coyotes.

d. Evaluate the potential for reducing depredations upon domestic sheep in the field by eliminating the need to provision young.

Field Station: Uvalde, Texas
Project: Predator Depredation Control (Physical and Mechanical)
Funding: $174,000
Staffing: 7.2 Full-time equivalent

Work Units:

Develop and evaluate various stimuli for attracting coyotes to control devices

a. In cooperation with ADC program personnel, continue assessment and evaluation of various devices and strategies for improving on techniques for taking depredating coyotes.

b. Continue development and field evaluation of prototype sonic devices emitting prey distress cries to draw coyotes to control devices such as traps of M-44's.

Develop and assess various stimuli and/or techniques for repelling or excluding coyotes from the vicinity of livestock.

a. Assess the potential of frightening devices for protecting pastured sheep.

b. Assess frightening device potential for protecting herded sheep on bedgrounds on summer range.

c. Develop and assess alternate types of frightening devices and methods of application.

Assess the efficacy, selectivity, and humaneness of coyote capture devices.

a. Continue fabrication and field evaluation of padded jaw steel traps.

b. Depending upon outcome of 1982 tests and evaluation data, continue lethal trap tab development and field evaluation.

Conduct cooperative predator studies and provide technical assistance to the Direccion General de Fauna y Flora Silvestre (DGFFS) in Mexico and the World Health Organization (WHO) in Geneva, Switzerland

a. In cooperation with DGFFS biologists, conducts studies of carnivore/livestock relationships, coyote/wildlife interactions and coyote biology and behavior in northern Mexico.

b. Assist WHO in implementing studies of dog ecology and behavior in selected urban and rural areas where rabies in this species is a problem.

Field Station: Twin Falls, Idaho and Logan, Utah Field Stations
Project: Predator Depredations Control (Chemical)
Funding: $123,000
Staffing: 3.8 Full-time equivalents

Work Units:

Development and evaluation of baits and baiting techniques for field application of predacides.

Pen and field evaluation of toxic collars for killing coyotes that attack sheep and goats.

Development of new toxicants for coyote depredations control.

SUPPORTING SCIENCES RESEARCH

Field Station: Philadelphia, Pennsylvania
Project: Supporting Science Research-Chemical Senses
Funding: $49,000
Staffing: 1.5 Person-years equivalent

Work Units:

Grooming behavior and conditional bait aversion in rats.

Bird repellants and Batesian mimicry.

Taste qualities of rodenticides in Rattus norvegicus.

Systematic assessment of trigeminally active compounds as bird repellents for feedlots.

Question: What selection criteria was used to select the two projects proposed for closure in FY 84.

Answer: The selection criteria used to close the proposed stations were based on the relative and comparative priority of individual research projects and their relationship to the long-range ADC research needs of the Fish and Wildlife Service. Other ADC research projects were considered to have a more direct bearing on the Service's ADC operational activities.

Endangered Species Law Enforcement

Question: You are again proposing to reduce law enforcement funding in support of the endangered species program. The reduction of $987,000 (-17%) is justified on the basis that the Service is changing the focus of its activity to emphasize large scale investigations and to deemphasize smaller cases involving incidental takings. What data do you have to support this shift?

Answer: Before responding to the question, it should be noted that the Service has amended its proposal to reduce law enforcement agent funding in FY 1984. In FY 1984, the Service intends to impose fees on importers and exporters of wildlife products sufficient to cover Government expenses incurred in processing wildlife import/export documents and conducting physical inspections of shipments at designated, border, and special ports-of-entry, as is currently done on a limited basis at non-designated ports-of-entry. By charging the user for this service, a corresponding reduction in the funds currently appropriated to support wildlife inspectors will be possible.

To implement this user fee system, the Service would propose a regulatory change in Part 14 of Title 50 CFR--Importation, Exportation, and Transportation of Wildlife. The required regulatory analysis, proposal, and review period may take as long as six months, but the Service would hope to implement the user fees at the beginning of FY 1984. Before the regulatory change, including fee schedules, could take effect, several analyses would have to be conducted: 1) analysis of inspection activities to allow development of equitable fees; 2) environmental analysis; 3) cost/benefit analysis; and 4) small business analysis. To support the existing force of 36 Wildlife Inspectors, projected receipts would have to total $1,355,000, based on optimum funding of the inspectors at $32,000 each (which includes clerical support), plus the Service's 15 percent reimbursements handling overhead.

This reimbursable program would be managed as authorized by the Endangered Species Act of 1973, as amended, which authorizes the Secretary (16 USC 1540f) to develop regulations as appropriate, charge reasonable fees for expenses to the Government, deposit the fees in the Treasury to the credit of the appropriation which is current and

chargeable for the cost of furnishing the services, and expend appropriate funds pending reimbursement from parties in interest.

In terms of the broader question of the changing focus of law enforcement, the Service has become increasingly convinced through experience that law enforcement effectiveness can be maximized by focusing its resources on large-scale illegal commercialization of the Nation's wildlife resources. In this regard, significant success was recently experienced in several large undercover operations, revealing major violations of wildlife trade in Atlanta (primarily in listed reptiles), Alaska (involving ivory products), California (parrot importation from Mexico), and Alabama (alligator hides). Thus, attention toward the incidental taking of endangered species and other wildlife has been reduced.

The Service believes that, aside from the apprehension and prosecution of major violators of wildlife law, the chief value of law enforcement to the preservation of wildlife resources is the deterrent it creates. What deterrence exists, however, is only effective among those individuals recognizing that their acts are illegal. No amount of law enforcement effort is going to deter an individual who is unaware that the stuffed sea turtle he or she purchased in Mexico cannot be brought into this country. The level of incidental or unknowing taking of species is more a function of public education and awareness than of direct law enforcement.

Thus, the Service has shifted its enforcement resources away from numerous, smaller cases (often resulting from the uninformed public unknowingly violating the law), and toward covert investigations of major illegal commercial operations with significant impacts (run by individuals who know exactly what they are doing and have decided to take the calculated risk that they will not be apprehended.)

The Service believes that if it increases the risk of apprehension, it will have some chance of deterring at least some of those now engaged in illegal operations involving listed species and other wildlife.

Question: What is the most serious threat to endangered species?

Answer: Different threats of varying seriousness confront the many species listed as endangered or threatened. In general, the most serious threat is posed by mankind's encroachment on, and frequent destruction of, the natural habitats of these species. For some listed species, however, direct human taking and illegal commercialization are the basic problems threatening their survival.

Question: How many endangered species violations occurred last year?

Answer: In FY 1982, 4,500 investigations were conducted of suspected violations of the Endangered Species Act. However, the Service has no way of knowing how many total violations of the Act occurred last year, including those that were not and may never be reported.

Question: You state that the number of investigations are being reduced (p. 171), and that the number of wildlife shipments that are being physically inspected are remaining constant, but I don't get any sense of the qualitative threat to endangered species posed by this reduction. Is the type of threat to endangered species that can be reduced by law enforcement activities on the upswing or downswing?

Answer: The reason that the number of investigations anticipated in FY 1984 is less that that for FY 1983 (down from 4,000 to 3,500, -12.5 percent) is because of the policy shift of enforcement resources away from numerous, smaller cases and toward covert investigations of

major illegal commercial operations having greater impact on listed species. It is extremely difficult to pinpoint the absolute level of threats to endangered species that can be reduced through law enforcement activities, much less whether that level is increasing or decreasing. However, the Service has no information which would lead it to conclude that major illegal operations involving the commercialization of listed and other wildlife species are declining below current unacceptable levels.

Law Enforcement - General

Question: Law enforcement activities in general remain a concern of this Committee. Last year, the Committee requested a complete, detailed review of the law enforcement program to be submitted with the FY 84 budget. This request was included in the Committee's report, published in the December 9, 1982, Congressional Record. The President's Budget was received, I believe, in early February. However, the Committee has yet to receive a formal copy of this report. Why is that?

Answer: The Service regrets that the report has not yet been officially provided to the Committee; however, the report will be provided to the Committee on May 17, 1983. The report was somewhat difficult to prepare because much of the data requested by the Committee on agent costs is not maintained in the Service's Program and Financial Management Information System. For example, agent costs include expenditures for specific categories of goods and services (e.g., gasoline and airline tickets) that are not comparable to the object classifications used for accounting purposes.

Question: One of our concerns was that it became quite a job to "cost-out" the Committee's decision to maintain 200 special agents in FY 83. Various tables were provided showing a range of average costs per agent from $43,000 to $70,000. We still don't know which one is accurate. According to p. 113 of your justification, the average cost per special agent in FY 83 will be $55,800. I understand there are really several types of agents -- trainees, undercover, Washington office, etc. Can you specify what you would possibly do with an extra $15,000 per agent?

Answer: Together with the Report on agent costs, the Service will provide the Committee with a capability statement that covers this area.

Law Enforcement - Equipment

Question: Does every agent have an official vehicle?

Answer: Every agent is assigned an official police-type government vehicle. From time to time, he or she may also be called upon to operate a special purpose vehicle (such as a pick-up truck), e.g., in the conduct of an undercover investigation.

Question: His own radio?

Answer: Each sedan and some special purpose vehicles are equipped with a radio for the purpose of ensuring necessary law enforcement communications during the conduct of investigations. Additionally, some law enforcement watercraft and all aircraft are similarly equipped.

Question: His own boat?

Answer: Each agent is not assigned a boat. Various watercraft are maintained in appropriate locations for use by agents in law enforcement patrol and investigations.

Question: How many airplanes do you have involved in law enforcement?

Answer: Eleven aircraft are maintained for use in law enforcement activities.

Question: Will you provide for the record a complete list of all depreciable law enforcement equipment and its age, mileage, condition, etc, along with the FWS guidelines on replacements?

Answer: A listing of all major law enforcement equipment indicating age and mileage (or hours, where appropriate) follows. Copies of the Service's policies on equipment replacement are also provided. Neither the Service nor the Department define depreciable in terms of equipment acquisition, maintenance, or replacement. However, in conformance with the FPMR (Federal Property Management Regulations), pertinent extracts of which follow, the Service's interpretation of the term as applied to equipment is that equipment which is primarily non-expendable, usually capitalized, and for which a useful life has been established, such as motor-, water-, and air-craft. Further, in conformance with FPMR Sub-Part 101-25.4, the Service's governing policy on replacement is that equipment shall be replaced at the point at which its maintenance costs become excessive (i.e., greater than replacement cost) or its trade-in value would be substantially reduced by delaying such replacement.

DIVISION OF LAW ENFORCEMENT VEHICLE LISTING

I. AUTOMOBILES

POLICE SEDANS
Category I. (Greater than 60,000 miles)

YEAR	MODEL/MAKE	MILEAGE
1978	Ford LTD II	154,946
1974	Chevrolet Monte Carlo	154,000
1973	Pontiac Grand Prix	131,564
1976	Chevrolet Impala	122,534
1977	Plymouth Granfury	110,340
1976	Plymouth Fury	108,838
1979	Plymouth Volare	108,210
1979	Plymouth Volare	108,100
1978	Ford LTD	106,119
1978	Ford LTD II	104,413
1978	Ford LTD II	103,698
1976	Plymouth Fury	102,789
1979	Plymouth Volare	95,980
1978	Ford LTD II	95,862
1975	law enforcement sedan	95,754
1978	Ford LTD II	94,961
1979	Mercury Cougar Sedan	94,500
1977	law enforcement sedan	92,672
1979	Plymouth Volare	91,602
1979	Plymouth Volare	91,315
1977	Plymouth Granfury	91,189
1978	Chevrolet Impala	90,900
1974	law enforcement sedan	90,122
1979	Plymouth Volare	90,059
1979	Plymouth Volare	88,500
1978	Cheverolet Impala	87,592
1978	Ford LTD II	87,401
1979	Plymouth Volare	86,216
1978	Ford LTD II	85,745
1979	Plymouth Volare	85,485
1979	Plymouth Volare	83,951
1976	Monte Carlo Sedan	83,904
1979	Plymouth Volare	83,510
1976	law enforcement sedan	82,479
1979	law enforcement sedan	82,313
1978	Ford LTD II	81,998
1979	Plymouth Volare	80,836
1979	Plymouth Volare	80,450
1978	Ford LTD	79,967
1979	Plymouth Volare	79,428
1979	Plymouth Volare	79,377
1977	law enforcement sedan	78,400
1978	Ford sedan	78,318

	YEAR	MAKE/MODEL	MILEAGE
	1980	Plymouth Volare	77,194
	1979	Plymouth Volare	75,763
	1979	law enforcement sedan	76,310
	1980	Mazda	76,130
	1977	law enforcement sedan	74,757
	1980	Plymouth Volare	74,523
	1977	Matador	70,858
	1979	Plymouth Volare	70,059
	1978	Chevrolet Impala	70,000
	1980	Plymouth Volare	69,999
	1979	Plymouth Volare	68,348
	1979	Plymouth Volare	66,128
	1978	Plymouth Volare	64,895
	1980	Plymouth Volare	64,593
	1979	Plymouth Volare	63,884
	1977	Plymouth Matador sedan	63,677
	1979	Plymouth Volare	63,549
	1980	Plymouth Volare	62,629
	1980	Plymouth Volare	62,474
	1979	Plymouth Volare	62,250
	1978	Chevrolet sedan	61,848
	1979	Plymouth Volare	61,839
	1979	Plymouth Volare	61,749
	1979	Plymouth Volare	61,300
	1978	Ford LTD	61,216
	1980	Plymouth Volare	61,050
	1977	Plymouth Fury	61,026
	1980	Ford LTD sedan	61,000
	1979	law enforcement sedan	60,662
	1980	law enforcement sedan	60,624
	1979	law enforcement sedan	60,200
	1978	Ford LTD	60,049
	1980	law enforcement sedan	60,020
	1977	Plymouth Fury	60,010
Category II. (Between 45,000 and 60,000 miles)	1978	Plymouth Volare	58,096
	1978	Ford sedan	57,787
	1979	Plymouth Volare	57,504
	1980	Plymouth Volare (wrecked)	56,914
	1979	Plymouth Volare	56,891
	1980	Plymouth Volare	55,754
	1979	Plymouth Volare	55,558
	1979	Ford Pinto	55,250
	1980	Plymouth Volare	54,927
	1979	Plymouth Volare	54,372
	1980	law enforcement sedan	53,173
	1980	law enforcement sedan	52,815
	1980	law enforcement sedan	52,810
	1979	Plymouth Volare	52,328
	1980	law enforcement sedan	52,215
	1975	sedan	51,300
	1980	Ford LTD sedan	50,500
	1979	Plymouth Volare	50,100
	1980	Plymouth Volare	49,994
	1979	Chevrolet Malibu	49,616
	1979	Plymouth Volare	49,256
	1975	sedan	48,630
	1975	sedan	48,581
	1981	law enforcement sedan	47,770
	1980	Plymouth Volare	47,200
	1979	Plymouth Volare sedan	46,500
	1979	Plymouth Volare	45,924
	1979	Plymouth Volare	45,413
	1979	Plymouth Volare	45,144
	1980	Plymouth Volare	45,100
	1980	Plymouth Volare	45,040

Category III. (Less than 45,000 miles)

YEAR	MAKE/MODEL	MILEAGE
1979	Plymouth Volare	43,518
1978	Matador	43,365
1975	sedan	43,303
1980	Ford LTD sedan	42,000
1980	Plymouth Volare	41,350
1980	law enforcement sedan	40,459
1977	Matador	40,185
1981	Plymouth Reliant	39,098
1980	Plymouth Volare sedan	39,000
1979	Plymouth Volare sedan	39,000
1980	Plymouth Volare	38,744
1979	Plymouth Volare sedan	38,738
1979	Plymouth Volare	37,700
1982	Plymouth Granfury	34,500
1981	Dodge sedan	34,054
1980	Plymouth Volare	33,853
1981	Plymouth Reliant	33,570
1981	Ford Fairmont	33,000
1979	Plymouth Volare sedan	33,000
1980	Plymouth Volare	32,918
1981	Dodge Diplomat sedan	32,829
1981	Plymouth Reliant	32,680
1979	Plymouth volare	32,200
1981	Dodge Diplomat sedan	31,481
1981	Dodge sedan	30,716
1979	Plymouth Volare	30,533
1982	Plymouth Granfury	30,386
1980	Plymouth Volare	30,383
1980	Plymouth Volare sedan	30,000
1980	Plymouth Volare	30,000
1981	Dodge sedan	29,289
1982	law enforcement sedan	28,622
1981	Dodge Diplomat sedan	28,151
1979	sedan	27,000
1980	sedan	26,706
1982	Plymouth Granfury	26,000
1979	sedan	25,270
1980	Plymouth Volare	24,880
1982	Plymouth Granfury	24,442
1982	Plymouth Granfury	24,023
1981	Ford Fairmont	23,928
1981	law enforcement sedan	23,240
1981	Ford Fairmont	23,165
1979	Chevrolet Malibu	22,100
1980	Ford LTD sedan	22,000
1981	Ford Fairmont	21,804
1981	law enforcement sedan	21,194
1980	Ford LTD sedan	20,000
1981	Ford Fairmont	19,340
1981	Dodge Diplomat	19,000
1981	Ford Fairmont	18,577
1981	law enforcement sedan	18,186
1980	Plymouth Volare	18,147
1981	Dodge sedan	17,000
1981	Dodge sedan	15,547
1981	Plymouth Reliant	15,275
1982	law enforcement sedan	14,770
1981	Ford Fairmont	14,244
1982	Ford LTD	14,161
1982	Plymouth Gran Fury sedan	14,000
1981	Ford Fairmont	13,010
1980	Chevrolet Sedan	12,200
1982	Plymouth Gran Fury sedan	12,000
1981	Plymouth sedan	12,000
1980	Plymouth Volare	11,976
1982	law enforcement sedan	8,889

	YEAR	MAKE/MODEL	MILEAGE
	1982	Plymouth Granfury	8,800
	1981	sedan	8,215
	1982	Ford LTD	7,344
	1981	Dodge Diplomat sedan	7,000
	1982	Ford sedan	6,524
	1982	law enforcement sedan	5,592
	1982	Plymouth Granfury	5,109
	1982	Plymouth Granfury	3,207
	1983	Plymouth Granfury	0
	1983	Plymouth Granfury	0
	1983	Plymouth Granfury	0
	1983	Plymouth Granfury	0
	1983	Plymouth Granfury	0
	1983	Plymouth Granfury	0
	1979	Plymouth Volare	Unknown
	1978	Ford sedan	Unknown
	1979	Plymouth Volare	Unknown
SPECIAL PURPOSE VEHICLES			
	1974	pickup	148,751
	1980	Ford van	131,000
Category I. (Greater than 50,000 miles)	1978	Chevrolet pickup	119,450
	1969	Chevrolet C-10 4x2	117,165
	1974	IHC Carryall truck 4x4	117,077
	1978	Dodge PWR Wagon 4x4	112,887
	1976	pickup	108,538
	1969	Chevrolet C10 truck 4x2	108,455
	1976	Ford pickup	102,159
	1978	Ford F250 truck 4x2	100,727
	1977	pickup	100,114
	1952	Willys M38A1 truck 4x4	100,000
	1976	Dodge D10 truck 4x2	98,916
	1972	pickup	98,025
	1974	pickup	96,810
	1980	AMC Cherokee truck 4x4	95,426
	1977	Chevrolet El Camino	92,800
	1977	van	92,113
	1980	Dodge Ramcharger 4x4	92,066
	1978	Chevrolet Blazer 4x4	85,679
	1979	Dodge Ramcharger	85,598
	1978	Chevrolet pickup	85,391
	1978	Dodge Ramcharger 4x4	85,040
	1976	pickup	85,038
	1979	Chevrolet pickup	85,000
	1966	Chevrolet 1/2-ton pickup	83,554
	1980	AMC Cherokee truck 4x4	81,199
	1976	4x4 pickup	80,000
	1972	Dodge 1/2-ton pickup	79,562
	1976	Chevrolet pickup 4x4	77,000
	1978	Chevrolet sedan delivery	76,700
	1979	Dodge Ramcharger	76,640
	1977	GMC pickup	76,460
	1974	dune buggy	76,349
	1980	Chevrolet LUV pickup	75,936
	1975	4x4 pickup	75,400
	1978	Jeep	74,934
	1979	Dodge pickup	74,830
	1979	Dodge Ramcharger 4x4	72,200
	1977	light truck	71,387
	1978	Chevrolet van	71,017
	1980	Ford F250 truck 4x2	70,511
	1974	Dodge 1/2-ton pickup	70,202
	1978	Jeep	70,184
	1978	Dodge Ramcharger 4x4	70,000
	1979	Dodge Ramcharger 4x4	69,290
	1975	Ford van	67,600
	1976	IHC Scout 4x4	66,914

	YEAR	MAKE/MODEL	MILEAGE
	1977	Chevrolet van	66,869
	1979	Dodge Ramcharger 4x4	66,729
	1979	Dodge Ramcharger 4x4	66,615
	1979	Dodge Ramcharger 4x4	65,150
	1979	Dodge AW100 truck 4x4	65,009
	1974	pickup	64,681
	1977	Dodge Ramcharger	63,909
	1979	Dodge van	63,759
	1977	Dodge Ramcharger 4x4	63,739
	1976	IHC Scout 4x4	63,675
	1977	van	62,375
	1978	AMC C37 truck 4x4	62,232
	1978	Dodge Ramcharger 4x4	62,133
	1980	Lincoln sedan	60,000
	1979	Dodge Ramcharger	59,900
	1978	pickup	59,426
	1980	AMC Cherokee truck 4x4	59,325
	1978	Dodge Ramcharger	59,000
	1982	Chevrolet C-10 4x2	58,990
	1977	Chevrolet van	58,654
	1977	light truck	58,593
	1978	Ford pickup	58,000
	1977	Dodge van	57,960
	1980	Dodge pickup	57,751
	1980	Blazer	56,874
	1974	pickup	56,495
	1979	Chevrolet pickup	56,420
	1979	Chevrolet pickup	55,950
	1977	Chevrolet van	55,381
	1977	Chevrolet passenger/utility	55,138
	1979	Dodge pickup	55,077
	1980	Dodge van	55,000
	1980	Chevrolet pickup	55,000
	1977	Dodge van	55,000
	1977	Chevrolet Blazer 4x4	54,900
	1980	Blazer	54,882
	1978	pickup	54,317
	1976	Chevrolet pickup	54,050
	1977	Chevrolet 3/4-ton pickup	53,500
	1977	Dodge van	53,094
	1979	light truck	51,986
	1980	Dodge Ramcharger 4x4	51,358
	1971	IHC Scout 4x4	50,469
	1978	Ford pickup 4x4	50,300
	1981	Dodge pickup 4x4	50,120
Category II. (Between 40,000 and 50,000 miles)	1977	Chevrolet van	49,713
	1978	Dodge pickup 4x4	48,963
	1980	Dodge Ram van	47,780
	1980	Dodge Ramcharger 4x4	47,228
	1979	Ford van	46,953
	1980	Cherokee Jeep	44,859
	1968	pickup	44,163
	1974	light truck	43,701
	1978	Dodge Ramcharger	43,590
	1977	Ford pickup	43,300
	1980	Dodge Ramcharger 4x4	42,007
	1979	Dodge 3/4-ton pickup 4x4	42,000
	1980	Dodge Ramcharger 4x4	41,393
	1975	Dodge van	41,357
	1979	Dodge Ramcharger 4x4	41,100
Category III. (Less than 40,000 miles)	1979	4X4 Pick-up	39,990
	1978	Dodge Ramcharger	39,613
	1980	Chevrolet pickup	39,400
	1980	Chevrolet LUV pickup	38,871
	1975	Dodge Ramcharger	38,631

YEAR	MAKE/MODEL	MILEAGE
1977	pickup	37,698
1977	Dodge van	37,500
	Willys M38A1 truck 4x4	37,336
1973	Ford pickup	37,000
1977	Dodge van	36,296
1979	Dodge Ramcharger 4x4	35,832
1978	Dodge Ramcharger	34,090
1977	Dodge Ramcharger	33,318
1978	Ford pickup	32,841
1980	Dodge pickup	32,746
1982	Dodge pickup	32,000
1953	Kaiser CJ5 truck 4x4	31,958
1974	pickup	31,631
1978	Dodge Ramcharger	31,584
1962	Jeep M38A1 truck 4x4	31,175
1978	Chevrolet Suburban	31,082
1969	Ford Jeep truck 4x4	30,513
1979	Dodge pickup 4x4	29,816
1979	Chevrolet 3/4-ton pickup	29,490
1982	Chevrolet Fleetside truck 4x4	26,772
1953	Willys M38A1 truck 4x4	26,729
1978	Ford pickup	26,699
1977	Chevrolet van	26,023
1979	van	25,405
1978	Dodge Ramcharger	25,400
1955	Willys CJ5 truck 4x4	25,355
1977	Dodge van	24,500
1982	Chevrolet pickup 4x2	24,400
1978	Ford pickup	24,210
	Willys M38A1 truck 4x4	23,903
1977	Chevrolet van	22,491
1982	Chevrolet Fleetside truck 4x4	22,343
1982	Dodge Ramcharger	21,000
1981	Dodge crew cab	20,500
1982	Dodge pickup	20,444
1979	van	19,769
1978	Chevrolet Monza station wgn.	19,300
1982	GMC 3/4-ton pickup	19,271
1980	Chev LUV pickup 4x4	18,500
1977	Jeep	17,590
1982	Dodge Ramcharger	17,000
1977	Jeep truck	15,854
1982	Dodge wagon	15,704
1982	Dodge (Club Cab)	15,000
1980	Blazer	14,900
1982	Dodge pickup	14,260
1974	pickup	13,000
1980	Chevrolet LUV pickup	12,248
1981	4x4 pickup	12,020
1982	Dodge pickup	12,000
1982	Dodge Ramcharger	12,000
1979	Ford Pinto runabout	12,000
1982	van	11,834
1982	Dodge pickup	11,350
1977	Jeep	11,310
1981	Ford pickup	10,537
1982	Dodge Ramcharger	10,500
1981	Dodge Ram van	10,000
1982	van	9,690
1982	Dodge pickup	8,776
1979	Dodge pickup (4 door)	8,463
1982	Dodge van	7,142
1982	Dodge van	6,800
1982	Dodge van	6,200
1981	Ford pickup	5,994
1982	Dodge van	5,721
1982	Chevrolet pickup	5,700
1982	Dodge Ramcharger	5,700

YEAR	MAKE/MODEL	MILEAGE
1981	Ford pickup	4,995
1982	Chevrolet pickup	1,755
1982	van	1,600
1982	Chevrolet pickup	1,534
1982	Chevrolet pickup	279
1953	military jeep	unknown
	Willys M38A1 truck 4x4	Urknown
1978	Datsun pickup	Unknown
1968	Baja Bug (U/C)	N/appl.

II. BOATS	YEAR	Make/Model	Hours
		17' Mako	
		16' Dory	
		16' Polarcraft	
		17' Aluminum	
		12' Grumman Cartoper	
		16' Aluminum Boat	
		12' Gr. Aluminum	
	1957	Glassmaster	
	1958	14' Boat	
	1959	Grumman Sport, w/standard	
	1959	10 hp outboard	
	1959	Canoe	
	1959	5.5 hp outboard	
	1960	15' Grumman, Sport	
	1960	18 hp outboard	
	1962	15'3" Sport, aluminum, Grumman	
	1962	12' Aluminum Arkansas Traveler	
	1962	14' Grumman Canoe	
	1962	Crestliner, aluminum 1033	
	1962	15' Grumman, Sport	
	1963	13' Sports Boston Whaler	
	1963	Grumman	
	1963	15' Grumman, Sport	
	1963	17' Aristo-Craft	
	1963	15' Grumman, Sport	
	1964	12'2" Valco, aluminum	
	1964	Outboard Motor, Electric, Silvertrol	
	1964	15' Grumman, Sport	
	1964	15' Sport, Deadgrass	
	1964	15' Grumman, Sport	
	1964	4 in 1 Grumman Sportboat	
	1964	15' Sport; Deadgrass	
	1964	12' Starcraft Sea Scamp	
	1964	Grumman Sport	
	1964	15' Sportboat Canoe	
	1964	Grumman Sport	
	1965	14' Rhyan Aluminum	
	1965	12' Aluminum Sea Scamp	
	1965	16' Boston Whaler	
	1965	16' Dyeresin	
	1966	Diesel engines	
	1966	20' river boat	
	1966	32' ocean-going patrol vessel "Kodiak Bear"	
	1967	15' Grumman Sportboat	
	1967	Playmate 500X, trihull	
	1967	14' Ouachita Jon	
	1967	15' Grumman Sport	
	1967	14' Polar Craft	
	1967	12' Sea Scamp, Starcraft	
	1968	Boston Whaler	
	1968	Glassmaster, 1968, Model 700X	
	1969	12' Sneeker	
	1969	12' Wooden Pirogue	

BOATS	YEAR	Make/Model	Hours
	1969	Grumman Sport, Model G155	
	1969	Dinghy, Sportyak	
	1969	Mirro Craft	
	1969	12' Wooden Pirogue	
	1969	Grumman Sport, Model G155	
	1969	22' Aqua Sport	
	1969	19' Sabercraft	
	1969	12' Wooden Pirogue	
	1969	200hp in/outboard motor	
	1969	18' Valco, aluminum	
	1969	Grumman Sport Boat	
	1970	14' Yearling,	
	1970	20' Searay	
	1970	Sneeker, w/foam filled hull	
	1970	17'4" Monark, aluminum	
	1970	9.5 hp Outboard Motor, Evinrude	
	1970	17'4" Monark, aluminum	
	1970	Canoe, Grumman, Model G-15	
	1970	9.5 hp Outboard Motor, Evinrude	
	1970	14' Monark, "Scout"	
	1970	Wellcraft	
	1970	50 hp Outboard Motor, Mercury	
	1970	17' Boston Whaler	
	1970	3 hp outboard	
	1970	50 hp Outboard Motor, Mercury	
	1970	65hp Outboard motor	
	1971	Glastron Model 177 AG,	
	1971	13' Boston Whaler	
	1971	50 hp Outboard Motor, Mercury	
	1971	18hp outboard motor	
	1971	23' Sport-Craft fiberglass	
	1971	14' Airboat, Maxcraft,SIV	
	1971	Delcraft, S/N 4984	
	1971	13' 3" Boston Whaler,	
	1971	Monark, Mark 1	
	1971	19' Custom robalo	
	1971	16' Glassmaster	
	1971	13' 3" Boston Whaler	
	1971	Motorized Pirogue	
	1971	19' Glassmaster Gulfstream	
	1971	16' Glassmaster	
	1971	16' Starcraft	
	1971	Boston Whaler	
	1971	16' Starcraft	
	1971	Motorized Pirogue	
	1972	140 hp, Outboard Motor, Mercury	
	1972	Skiff, Currituck Custom	
	1972	10 hp, Outboard Motor, Mercury	
	1972	16' 600XF Playmate	
	1972	140 hp, Outboard Motor, Mercury	
	1972	16'7" Boston Whaler	
	1972	36' Boston Whaler	
	1972	20 hp, Outboard Motor, Mercury	
	1972	Aluminum Fisher Marine	
	1972	20 hp, Outboard Motor, Mercury	
	1972	14' Flat, Delcraft	
	1972	50 hp, Outboard Motor, Mercury	
	1972	15' Eldcraft	
	1972	14' Quaichita	
	1972	135 hp, Outboard Motor, Johnson	
	1972	16' Polarcraft	
	1972	16' Boston Whalter Model "Sakonnet"	
	1972	16' Glassmaster	
	1972	19' Outboard,	
	1972	19' Aqua Sport	
	1972	115 hp OUTBOARD Motor, Mercury	
	1972	7.5 hp outboard	
	1972	16' Yukon	
	1972	9.8 hp outboard	

BOATS	YEAR	Make/Model	Hours
	1972	9.9 hp outboard	
	1972	80 hp outboard	
	1973	18' Outboard, Arrowglass, Osprey	
	1973	15 hp outboard (age is an estimate)	
	1973	Outboard Motor, Evinrude Sportwin	
	1973	40 hp outboard (age is an estimate)	
	1973	150 hp, Outboard Motor, Mercury	
	1973	14' Ouachita Model 14-17	
	1973	40 hp outboard (age is an estimate)	
	1973	12' Polar Craft Aluminum	
	1973	32' Airboat, Huntet, Grasshopper	
	1973	16'5" Boston Whaler	
	1973	14' Polar Craft Aluminum	
	1973	16'7" Boston Whaler	
	1973	43' Nauta-Line Houseboat	
	1973	16' Glassmaster	
	1973	15'11" PolarKraft	
	1973	15'11" PolarKraft	
	1974	14' Duracraft	
	1974	16' Monark	
	1974	12' Wooden Pirogue	
	1974	Glastron V-149, "Beau Jack"	
	1974	12' Wooden Pirogue	
	1974	14' Jon, Ouachita Aluminum	
	1974	12' Wooden Pirogue	
	1974	13'4", Boston Whaler	
	1974	Fiberglass Pirogue	
	1974	14', Jon Ouachita Aluminum	
	1974	12' Wooden Pirogue	
	1974	16' Alumacraft	
	1974	16' Playmate 600X	
	1974	12' Grumman	
	1974	14' Jon, Ouachita Aluminum	
	1974	65hp outboard motor	
	1974	16' Alumacraft	
	1974	9.8 hp outboard	
	1974	16' Starcraft	
	1974	13' Canoe	
	1974	21' Boston Whaler	
	1974	Chrysler	
	1974	17' Duracraft	
	1975	19' Glas-ply	
	1975	Louisiana Traveler, Aluminum	
	1975	18' Dixie	
	1975	14' Model 1836 aluminum	
	1975	16' Chris Craft, Aluminum	
	1975	14' Flat-bottomed aluminum	
	1975	16' Monark	
	1975	18' Smokercraft	
	1975	150hp outboard motor	
	1975	12' Aluminum Duracraft	
	1975	20' river boat	
	1975	Pirogue, Fin & Feather	
	1976	17' Grumman Canoe	
	1976	14' Louisiana Traveler	
	1976	12' Grumman Canoe	
	1976	14' Duracraft, Model 15180S	
	1976	16' Alumacraft	
	1976	14X36 Louisiana Traveler	
	1976	Alumacraft	
	1976	20' Jet boat	
	1976	14' Louisiana Traveler	
	1977	18' Starcraft	
	1977	14' Monarch, Model 5405	
	1977	14' Dura-craft	
	1977	85 hp motor	
	1977	17' Outboard Boat	
	1977	21' Glas-ply	

BOATS	YEAR	Make/Model	Hours
	1977	14' Monarch	
	1977	Oregon river boat	
	1977	16' Monark	
	1977	13' Sport	
	1977	Dura-Craft	
	1977	17' Grumman Canoe	
	1977	Dura-Craft	
	1978	15' Grumman Sport Canoe	
	1978	14' Aluminum Alumacraft	
	1978	21' Boston Whaler Outrage	
	1978	MonArk modified Vee boat	
	1978	Grumman Sport Canoe	
	1978	16' Monark, flat bottom	
	1978	15 hp outboard	
	1978	16' Alumacraft	
	1978	16' Bayliner	
	1978	21' Boston Whaler	
	1978	21' Boston Whaler (Surveyed)	
	1978	15' Grumman Sport Canoe	
	1978	21' Boston Whaler	
	1978	15' Grumman Sport Canoe	
	1978	15' Grumman Sport Canoe	
	1979	14' Lowe Line	
	1979	20 hp outboard with jet unit	
	1979	14' Boat, S/N LWN	
	1979	18' Glassmaster	
	1979	15 hp outboard	
	1979	17' PolarKraft	
	1979	14' Mon Ark	
	1979	Mercury outboard motor	
	1979	16'7" Boston Whaler	
	1979	13' Gregor	
	1979	16' PolarKraft	
	1980	14' Monark Jon	
	1980	15' Boston Whaler Sport	
	1980	16' Monark	
	1980	V-22, Whaler, cabin model	
	1980	16' Alumacraft	
	1980	22' Boston Whaler	
	1980	20' Jetline	
	1980	Glassmaster	
	1980	200 hp inboard motor	
	1980	14' Polarcraft	
	1980	Glassmaster	
	1981	14' Flat, Aluminum Monarch	
	1981	23'11" Orca utility	
	1981	12' Jon Boat, Lowes	
	1982	Pirogue, Fiberglass	
	1982	16' Alumacraft	
	1982	14' Bateau, Model 14-1836	
	1982	Glassmaster	
	1982	14' Duracraft, Aluminum	
	1982	Glassmaster	
	1982	14' Pirogue	
	1982	16' Polarcraft	
	1982	14' Pirogue	
	1982	18' Monark	
	1982	16' Polarcraft	
	1973	17' Outboard, Glastron	
	1973	20' Outboard, Mako	
	1973	17 ft. Newman Venture	
	1973	20 hp, Outboard Motor, Mercury	
	1973	Outboard Motor, Johnson	
	1973	19' Outboard, Sea Ray	
	1973	150 hp, Outboard Motor, Mercury	
	1973	115 hp, Outboard Motor, Mercury	
	1974	13' Airboat, Airgator	
	1974	18' 2" Outboard, Sea Ray	

BOATS	YEAR	Make/Model	Hours
	1974	150 hp, Outboard Motor, Mercury	
	1974	150 hp, Outboard Motor, Mercury	
	1974	13' Airboat, Air Gator	
	1975	9.9 hp, Outboard Motor, Johnson	
	1975	9.9 hp, Outboard Motor, Johnson	
	1975	15 hp, Outboard Motor, Evinrude	
	1975	17' Glastron, Model 176	
	1975	15 hp, Outboard Motor, Evinrude	

III. Aircraft	Age	Make/Model	Hours
	1965	Supercub	4125.6
	1965	Supercub	4207.2
	1967	Cessna 180	4840.8
	1967	Cessna 180	6620.0
	1972	Cessna 185	2171.6
	1975	Cessna 185	1929.4
	1977	Cessna 185	1500.0
	1978	Piper Super Cub,PA-18	2000.0+
	1979	Cessna 180	2000.0
	1980	Cessna Amphibian C-185	830.0
	1980	Cessna Model 185-F	650.0

CHAPTER 8

Motor Equipment Management

8.2 Motor vehicle management

F. Utilization and replacement criteria for Service-owned motor vehicles. The FWS motor vehicle management program was implemented on October 1, 1976, and establishes the following utilization and replacement criteria for Service-owned motor vehicles:

(1) Utilization criteria. Any vehicles with annual mileage over and under the following figures would be overutilized or underutilized respectively, and consideration shall be given to their rotation in order to attain the established utilization criteria.

Type vehicle	Annual mileage
Sedan	6,000 - 12,000
Station wagon	6,000 - 12,000
Light truck, 4x2	4,000 - 10,000
Light truck, 4x4	3,000 - 9,000
All other trucks and buses	2,000 - 8,000

(2) Replacement criteria. Vehicles should be replaced when they reach the following age or mileage replacement criteria, whichever occurs first, in order to ensure receiving the maximum exchange/sale price for the vehicle being replaced, thus offsetting and reducing the price of the newly acquired replacement vehicle.

Type vehicle	Age or mileage
Sedan	6 years or 60,000 miles
Station wagon	6 years or 60,000 miles
Light truck, 4x2	6 years or 50,000 miles
Light truck, 4x4	6 years or 50,000 miles
All other trucks and buses	8 years or 80,000 miles

8.3 Watercraft management

K. Inspection requirements.

(1) Regional directors and the Alaska Area Director shall establish procedures to ensure that each watercraft is thoroughly inspected at least once annually to determine that it is seaworthy and being maintained in a safe operating condition. Inspections shall be more frequent in those situations where unusual conditions such as heat, humidity, or ice may have an effect on the hull or engine. Each inspection shall be made by either a Service boat operator or by the USCG when their inspection services are available.

(f) Other regional or Alaska Area approved courses in boating safety and seamanship.

(3) Employees classified as boat operators shall be required to take necessary courses and obtain appropriate USCG licenses.

L. Operating requirements.

(1) Watercraft shall be operated at all times with safety as a primary requirement, and the employee in charge of any watercraft is responsible for:

(a) Operation of the watercraft in a safe manner with due regard to the safety of its crew, passengers, and cargo.

(b) Compliance with applicable laws and regulations, including those relating to use for official purposes only.

(c) Reporting to the regional or Alaska Area safety officer all accidents and incidents involving watercraft, using Form DI-134, Report of Accident/Incident. In addition, USCG Form CG-3685, Boating Accident Report, shall also be submitted through the regional or Alaska Area safety officer to the local USCG office to report any accident which results in the loss of life, injury causing absence from duty in excess of 72 hours, or property damage in excess of $100. Possible tort claims should also be reported to the regional or Alaska Area tort claims officer.

(2) The solo operator of any watercraft shall wear a PFD.

(3) Watercraft operators and passengers shall wear appropriate hearing protection. It is suggested that airboat operators be subjected to an audiometric testing program, and that they wear a helmet of the motorcycle or aircraft type.

(4) The employee in charge of any watercraft with a crew of three or more (including the captain) shall:

(a) Hold safety meetings at least once each month during the operating season.

(b) Conduct fire and abandon ship drills at least once each month during the operating season, and record each drill in the ship's log.

(c) Post, in a conspicuous place, a "Station Bill" covering fire drills, man overboard drills, and other emergency procedures.

8.4 Aircraft management

C. Disposal of aircraft. Service-owned aircraft normally are disposed of after reaching 6,000 hours of operation or 12 years service life, whichever occurs first. An exception may be granted upon submission to the CAMS of evidence that a particular aircraft warrants earlier or later disposal. The following procedure is followed for the disposal of aircraft:

(1) The disposing unit anticipates disposal of assigned aircraft and budgets for replacement aircraft in the appropriate fiscal year, notifying the CAMS of any aircraft slated for disposal or available for transfer.

(2) The CAMS alerts FWS units and OAS of any aircraft available and suitable for transfer. In the case of any aircraft slated for disposal, the CAMS contacts the FAA Registry Office and reserves the 700 series number assigned to the aircraft, obtains a new FAA registration number for the disposal aircraft, and requests OAS to dispose of the aircraft.

CHAPTER 4

Radiocommunications

4.9 Planning, programming, and budgeting

D. Equipment replacement guide. An equipment replacement guide is provided as an aid to determining when equipment should be replaced. This guide does not preclude replacement for reasons other than those given, nor for continuing equipment in service if determined appropriate. In all cases, discretion must be exercised in determining when equipment should be replaced. Equipment should be replaced when one or more of the following conditions exist:

(1) DAMAGED - Equipment is damaged beyond economical repair as determined by the following equation:

$R = C(0.775 - 0.625\ A/P)$

Where: R = Estimated Cost of repair
C = Cost of replacement
A = Age of equipment (years)
P = Optimum replacement age (years)

Note: If R (estimated cost of repair) is greater than the resultant calculations $C(0.775 - 0.625\ A/P)$, the cost of repair is not economical and the equipment should be replaced.

(2) RELIABILITY - The equipment is not providing the required dependable service.

(3) OBSOLESCENCE - The equipment does not conform to minimum technical standards or system improvements and modification is not economical. Economical modification is determined by the following formula:

$M = C(0.775 - 0.625\ A/P)$

Where: M = Estimated cost of modification
C = Cost or replacement
A = Age of equipment (years)
P = Optimum replacement Age (years)

Note: If M (estimated cost of modification) is greater than the resultant calculations $C(0.775 - 0.625\ A/P)$, the cost of modification is not economical and the equipment should be replaced.

(4) AGE - The reliability of equipment decreases and the cost of ownership increases with equipment years of service. The optimum radiocommunications equipment replacement age is:

Portables - seven years.
Mobiles - seven years.
Fixed station - ten years.

[From the Code of Federal Regulations, section 101–25.4, title 41—Public Contracts, Property Management]

Subpart 101–25.4—Replacement Standards

§ 101–25.401 General.

This subpart prescribes minimum replacement standards to be used by executive agencies desiring to replace specified types of items indicated in this subpart. Executive agencies shall retain items which are in usable workable condition even though the standard permits replacement, provided the item can continue to be used or operated without excessive maintenance cost or substantial reduction in trade-in value.

[29 FR 15994, Dec. 1, 1964]

§ 101–25.402 Motor vehicles.

Replacement of motor vehicles shall be in accordance with the standards prescribed in Subpart 101–38.9.

[42 FR 1031, Jan. 5, 1977]

§ 101–25.403 Office machines.

Replacement of office machines shall be in accordance with the standards prescribed in paragraphs (a), (b), and (c) of this section. The acquisition cost of comparable machines may be obtained from applicable Federal Supply Schedules with due consideration given to prices obtainable when the quantities involved exceed the maximum order limitation. In such instances, price information, unless available within the agency, may be obtained from the contracting office indicated in the schedule. Estimated repair or overhaul costs shall be obtained from contractors providing the service under GSA term contracts, where provided, or at the lowest rate available from other sources. The cost obtained shall include transportation costs.

(a) Electrically operated office machines such as typewriters, adding machines, and desk calculators (excluding the electronic type) under 12 years of age or manually operated office machines under 15 years of age shall not be replaced unless:

(1) The estimated one-time repair or overhaul cost of a machine under 8 years of age exceeds 50 percent of the replacement cost for a comparable new model, without regard to trade-in or sale value; or

(2) The estimated one-time repair or overhaul cost of a machine 8 years of age and over exceeds 25 percent of the replacement cost for a comparable new model, without regard to trade-in or sale value.

(b) Electronic office machines such as calculators, accounting machines, cash registers, and dictating equipment shall be replaced after expiration of the warranty period if the estimated one-time repair cost exceeds 80 percent of the replacement cost of a comparable new model.

(c) Notwithstanding the limitations prescribed in paragraph (a) or (b) of this section, office machines may be replaced under the following conditions provided a written justification supporting such replacement is approved by the agency head or an authorized designee and is retained in the agency files:

(1) In those instances in which there is a continuing history of breakdowns with corresponding loss of productivity through downtime;

(2) When the cumulative repair costs on a machine appear to be excessive, based upon the personal knowledge of the machine operator or supervisor and as indicated by repair records. However, the fact that a machine accrues repair costs equal to the acquisition cost is not necessarily indicative of the current condition of a machine. For example, a substantial repair expenditure included in the cumulative cost may actually have resulted in restoring the machine to as good as new condition. While cumulative repair costs suggest an area for investigation, they should not be used as the principal factor in the repair/replacement decision making process;

(3) When repair parts are not available causing a machine to be out of service for an excessive amount of time; or

(4) When a machine lacks essential features required in the performance of a particular task which is continuing in nature and other suitable machines are not available.

[33 FR 7668, May 24, 1968, as amended at 39 FR 26649, July 22, 1974; 41 FR 25899, June 23, 1976]

§ 101-25.404 Furniture.

Furniture (office, household and quarters, and institutional) shall not be replaced unless the estimated cost of repair or rehabilitation (based on GSA term contracts), including any transportation expense, exceeds at least 75 percent of the cost of a new item of the same type and class (based on prices as shown in the current edition of the GSA Supply Catalog, applicable Federal Supply Schedules, or the lowest available market price). An exception is authorized in those unusual situations in which rehabilitation of the furniture at 75 percent or less of the cost of a new item would not extend its useful life for a period compatible with the cost of rehabilitation as determined by the agency head or his designee.

[38 FR 28566, Oct. 15, 1973]

§ 101-25.404-1 Limitations.

Notwithstanding the provisions in § 101-25.404, agencies shall limit acquisition of new office furniture and office machines to essential requirements as provided in § 101-25.104. Replacement of correspondence filing cabinets will be governed by the provisions of § 101-26.308.

[42 FR 1031, Jan. 5, 1977]

§ 101-25.405 Materials handling equipment.

(a) Materials handling equipment will not be replaced unless the estimated cost of necessary one-time repair or reconditioning of each piece of equipment exceeds, at lowest available cost, the applicable percentage of acquisition cost as shown in column 3 of the following table. Equipment eligible for replacement under the criteria established by this standard may be repaired provided the expected economical life is extended commensurate with the expenditure required. Prior to incurring repair costs for equipment eligible for replacement, consideration should be given to the continuing availability of repair parts.

(1) Years in use shall be determined in accordance with the following:

(i) An operating month is considered equal to 100 operating hours. For materials handling equipment in storage, one month in storage equals 50 hours of operation.

(ii) The number of years in use is determined by dividing the number of operating months by 12. The fractional years in use resulting from this computation will be rounded to the nearest full year.

(2) In using the maximum allowable one-time repair limits in column 3 of the table, costs such as parts, labor, and transportation incident to the repairs, are to be included in computing one-time repair costs. However, operating expenses such as fuels and lubricants, replacement tires and batteries, and antifreeze will not be included in the one-time repair cost estimate.

(b) Notwithstanding the limitations prescribed in § 101-25.405(a), materials handling equipment may be replaced under the following conditions provided a written justification supporting such replacement is approved by the agency head or an authorized designee. The justification shall be retained in the agency files.

(1) When the cumulative repair costs on a piece of equipment appears to be excessive as indicated by repair rec-

Column 1—Type of unit	Column 2—Expected years of economical use	Column 3—Maximum allowable "one-time repair limits" as percentage of acquisition costs (years in use)														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
GASOLINE																
Fork truck (2000 pounds to 6000 pounds)	8	50	45	40	30	25	20	15	10							
Fork truck (over 6000 pounds)	10	50	45	40	35	30	25	20	15	10	10					
Tractor	8	50	45	40	30	25	20	15	10							
Crane	12	50	50	45	45	40	40	35	30	25	20	15	10			
Platform truck	8	50	45	40	30	25	20	15	10							
Straddle truck	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10
ELECTRIC																
Fork truck (2000 pounds to 6000 pounds)	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10
Tractor	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10
Crane	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10
Platform truck	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10
Pallet truck	15	50	50	50	45	45	45	40	40	35	35	30	25	20	15	10

ords. However, because an item of equipment accrues repair costs equal to the acquisition cost, it is not necessarily indicative of the current condition of the equipment. For example, a substantial repair expenditure included in the cumulative cost may actually have resulted in restoring the equipment to as good as new condition. While cumulative repair costs suggest an area for investigation, they should not be used as the principal ingredient in the repair/replacement decision making process.

(2) When repair parts are not available causing excessive equipment out-of-service time.

(3) When the equipment lacks essential features required in a particular task which is of a continuing nature and other suitable equipment is not readily available.

[32 FR 12400, Aug. 25, 1967]

[From the Code of Federal Regulations, section 101–38.9, title 41—Public Contracts, Property Management]

Subpart 101–38.9—Motor Vehicle Replacement Standards

SOURCE: 29 FR 14737, Oct. 29, 1964, unless otherwise noted.

§ 101–38.901 Applicability.

The motor vehicle replacement standards prescribed in this subpart shall be applied by any executive agency, except the Department of Defense, desiring to replace motor vehicles. The standards prescribed are minimum standards. Executive agencies shall retain motor vehicles which are in usable and workable condition even though the standard permits replacement: *Provided,* That the vehicle can be used or operated an additional period without excessive maintenance cost or substantial reduction in trade-in value. Further, with respect to the class of vehicle to be acquired and related fuel efficiency, the provisions of §§ 101–38.1304 and 101–38.1305 shall apply.

[42 FR 36256, July 14, 1977]

§ 101–38.902 Passenger cars and station wagons.

Passenger cars and station wagons may be replaced when they have been operated for six years or 60,000 miles, whichever occurs first.

§ 101–38.903 Ambulances.

Ambulances may be replaced when they have been operated for seven years or 60,000 miles, whichever occurs first.

§ 101–38.904 Buses for eleven or more passengers.

Buses for 11 or more passengers may be replaced when they have been operated for eight years. Without regard to years of use, such buses may be replaced when they have been operated the following number of miles:

	Miles
Intercity-type bus	280,000
City-type bus	150,000
School-type bus	80,000

§ 101–38.905 Multiple-drive vehicles.

Multiple-drive (4- or 6-wheel drive) truck-chassis combination personnel and property-carrying motor vehicles may be replaced when they have been operated for six years or 40,000 miles, whichever occurs first.

§ 101–38.906 Motor trucks.

Motor trucks provided with pickup or express, panel or sedan-delivery, carryall, van, open van, platform, stake, rack, dump, truck-tractor, or tank bodies may be replaced in accordance with the following table of years or mileage operation, whichever occurs first.

Maximum GVW pounds	Total years	Total miles	Payload rating
Less than 12,500	6	50,000	1 ton and less.
12,500 through 16,999	7	60,000	1½ through 2½ tons.
17,000 and over	9	80,000	3 tons and over.

§ 101–38.907 Fleets.

When an agency holds eight or more vehicles in any one of the following classes, not more than 25 percent of the vehicles in that class may be replaced in any one fiscal year; when the

total number of vehicles in any one class is less than eight, not more than two vehicles in that class may be replaced in any one fiscal year: *Provided,* That all vehicles to be replaced shall meet the age or mileage replacement standards set forth in this subpart.

(a) Automobiles (sedans, coupes, etc.).

(b) All other passenger-carrying vehicles (station wagons, ambulances, buses).

(c) All trucks and truck tractors.

[29 FR 14730, Oct. 29, 1964, as amended at 42 FR 36256, July 14, 1977]

§ 101-38.908 Exception.

If a motor vehicle has been wrecked or damaged (including wear caused by abnormal operating conditions) beyond economical repair, such unit may be replaced without regard to standards in this subpart after certification to that effect by the head of the agency or his delegate.

Subpart 101-38.10—Scheduled Maintenance of Motor Vehicles

SOURCE: 42 FR 31454, June 21, 1977, unless otherwise noted.

§ 101-38.1000 Scope of subpart.

This subpart prescribes agency requirements and guidelines covering a maintenance program for Government-owned motor vehicles.

§ 101-38.1001 Applicability.

This subpart is applicable to all Government-owned motor vehicles of a holding agency located in the United States or its territories or possessions, except for motor vehicles exempted by law or regulation. Other Federal agencies are encouraged to conform to the requirements of this subpart so that maximum benefits may be realized in the operation of all Government-owned motor vehicles.

§ 101-38.1002 Agency requirements.

All holding agencies shall establish a scheduled maintenance program wherever Government-owned motor vehicles are operated.

§ 101-38.1003 Guidelines.

(a) The guiding principles for a scheduled maintenance program shall encompass a recorded, systematic procedure for the servicing and inspection of motor vehicles to:

(1) Ensure their safe and economical operating condition throughout the period of use; (2) meet established emission standards; and (3) meet warranty requirements. Servicing and inspection work may be performed by Government personnel, by commercial shops, or by a combination of both.

(b) Agencies shall take positive action to ensure that all Government-owned commercially designed motor vehicles, model year 1976 and later, have inspection and service performed in accordance with the manufacturers' recommended schedules and specifications. Agencies may continue to perform inspection and service of model year 1975 and earlier Government-owned commercially designed motor vehicles in accordance with their established maintenance schedules and specifications.

(c) Proper maintenance will ensure that Government-owned vehicles will operate in the most energy efficient manner and will meet Federal and State emission standards, including safe and proper operation of the catalytic converter, during its warranted life.

§ 101-38.1004 [Reserved]

§ 101-38.1005 Assistance to agencies.

The General Services Administration will make available motor equipment management technicians, at no cost, to assist agencies in establishing or revising their scheduled maintenance programs. Requests for motor equipment management assistance shall be submitted by holding agencies to the General Services Administration (FZM), Washington, DC 20406.

Question: Is the Service seriously behind in equipment replacement schedules?

Answer: As shown by the equipment list provided, a considerable number of law enforcement vehicles should be replaced.

Law Enforcement - Agents

Question: What is the distribution of the 200 agents by state based on?

Answer: The distribution is based on program funding among regions. Program managers make the decisions based on their needs for law enforcment to support their programs in different geographic locations.

Question: Do you have a scientific way to allocate a specific number of agents to each State?

Answer: Agent distribution decisions are made based on perceived needs for law enforcement in various regions and States.

Question: How does it work?

Answer: Funding decisions for law enforcement activity in different geographic locations are based on experience, judgment, and current program priorities.

Question: Have the number of agents gone down in recent years?

Answer: The number of agents has gone down slightly over the last six years -- from 220 agents (EOY - 1977) to 196 agents (EOY - 1983), 10.9%.

Question: Have the number of agents involved in undercover cases increased?

Answer: Over the last several years, the Service has learned through experience that greater law enforcement deterrence can be achieved, and a larger number of major wildlife law violators apprehended, through the conduct of undercover investigations. Consequently, although most agents were already spending some of their time conducting undercover investigations and a small number spend all of their time working in an undercover capacity, the Service has increased the total amount of time spent by its agents in undercover work.

Question: Have the number of wildlife laws needing enforcement increased?

Answer: Since 1971, a total of 10 treaties, laws, or amendments concerning wildlife law enforcement have been enacted.

Question: How about the number of refuges requiring coverage?

Answer: The number of wildlife refuges requiring law enforcement coverage has grown substantially over the last several years. Eighty-one refuges have been added to the total number of refuges since 1970.

Question: You are proposing a reduction of $560,000 in research facility maintenance (p. 125). You justify this reduction on the basis that you can extend the completion date on various rehabilitation projects and that you need additional maintenance funds at the newly constructed National Wildlife Health Lab in Madison, Wisconsin. What projects will be deferred in FY 1984?

Answer: After anticipated completion of the rehabilitation projects and maintenance equipment replacements in FY 1983 and FY 1984, there is an identified $2.1M research facility and maintenance equipment need. All projects which are related to safety or which would have led to deterioration of other facilities will have been completed in FY 1983. Projects which are not expected to be

accomplished in FY 1983 or FY 1984 include road repair, water pipe replacement in chemistry building, storm windows on administration building, perimeter fencing and water control structures at Patuxent Wildlife Research Center; insulation of maintenance shop, underground fuel storage, and rehabilitation of experimental ponds and predator proof fences at Northern Prairie Wildlife Research Center; and additional rehabilitation of the Gainesville field station and upgrading of the chemistry and animal laboratories at Denver Wildlife Research Center.

Question: What is the need for additional facility maintenance money in Madison at the National Wildlife Health Laboratory?

Answer: With occupancy of the newly completed administration and laboratory buildings at the National Wildlife Health Laboratory during FY 83, the maintenance and operation costs increased by $100,000. Additional expenses include fuel and electric costs, maintenance of grounds, facilities, mechanical equipment, and air pressurization and filtration equipment to prevent the escape of pathogens. Funds were reprogrammed in FY 1983 to absorb these costs for part of the year, and the full amount will be absorbed in FY 1984.

Question: What is the distribution of the FY 1983 maintenance funding by facility? Spread the reduction by facility.

Answer: In FY 1983, wildlife resources funding for facility maintenance and rehabilitation projects is anticipated to be $585K, $295K, $560K, and $980K for the Denver Wildlife Research Center, National Wildlife Health Laboratory, Northern Prairie Wildlife Research Center, and Patuxent Wildlife Research Center, respectively. While part of the maintenance funds will be allocated to the highest priority rehabilitation needs in FY 1984, we anticipate the reduction to amount to $110K, $175K and $275K at the Denver Wildlife Research Center, Northern Prairie Wildlife Research Center, and Patuxent Wildlife Research Center, respectively.

Question: On page 123, you state that although you are planning to close the Hilo, Hawaii ADC research station at the end of FY 1983, there will be no personnel change because "staff year adjustments were made during the FY 1983 budget process." Does this mean that you did not have a postion at Hilo in 1983?

Answer: Staff were stationed at Hilo in FY 1983. However, since the Service had relinquished the positions during the FY 1983 budget process, ceilings to operate the facility in FY 1983 were absorbed from within the Service's total allocation.

Question: Didn't Congress restore those funds in FY 1983.

Answer: Funds were provided in the FY 1983 budget.

Hatchery Closures

Question: I see you have proposed again to close some hatcheries. I didn't think we missed any last year. How are the closures we made last year proceeding?

Answer: The operation of the Hebron, Ohio; Miles City, Montana; Berlin, New Hampshire; Lake Mills, Wisconsin; and New London, Minnesota hatcheries has already been assumed by the respective States under Memoranda of Agreement (MOA) with the Service. The Service is currently negotiating similar agreements with respect to the Pisgah Forest, North Carolina; Wytheville, Virginia; Paint Bank, Virginia; Cedar Bluff, Kansas; and McNenny, South Dakota, hatcheries and expects these negotiations to result in MOAs with respective States for State operation. There is some optimism that similar negotiations may ultimately be successful in

regard to the Neosho, Missouri; Cheraw, South Carolina; Corning, Arkansas; Senecaville, Ohio; and Crawford, Nebraska, hatcheries. The University of Georgia has indicated an interest in the Cohutta, Georgia, hatchery for fish-culture purposes. The Service is exploring this possibility.

Question: Are there significant problems with any hatcheries that you would like the Committee to review?

Answer: There are two matters that the Committee should be aware of. The decision by Congress to close or transfer the Jones Hole NFH, Utah, resulted in considerable review of and debate on Federal responsibility for fishery resources in Colorado River Storage Project (CRSP-Section 8) waters. Following review and consultation within the Department, the decision was made to proceed with the transfer of the hatchery to the State of Utah. However, the State of New Mexico has filed a suit against the Secretary because it believes that the Jones Hole hatchery was built to fulfill a commitment of the Federal government to the States of Wyoming, Colorado, Utah, and New Mexico to provide certain fishery benefits as part of the Colorado River Storage Project. The State of New Mexico believes that as long as the dams exist and the river waters are impounded, the trout production must continue as fulfillment of this commitment.

The second matter concerns the five hatcheries (Pisgah Forest, North Carolina; Senacaville, Ohio; Cheraw, South Carolina; Neosho, Missouri; and Crawford, Nebraska) identified in the FY 1983 Conference Committee report in which Congress directed "...that no funds will be provided to operate...(these) hatcheries after fiscal year 1983." Our interpretation of this language was that no costs, including closing costs, may be incurred for these hatcheries in FY 1984. Therefore, no funds were requested in the President's FY 1984 budget.

Following enactment of the FY 1983 appropriations bill and submission of the FY 1984 budget to the Congress, the Fish and Wildlife Service initiated discussions with the concerned States to determine if agreements for State assumption of operations could be reached this fiscal year. This was done to avoid closure costs for these stations in FY 1984. We believe there is a good likelihood that agreements can be reached with the States on some or all of these hatcheries this year so that State operation can begin either prior to or about October 1, 1983. When agreements reach final form, the Department will refer each agreement to both the House and Senate appropriations committees for their concurrence. This will parallel the procedure followed last year with respect to agreements for Berlin National Fish Hatchery, New Hampshire, and Hebron National Fish Hatchery, Ohio.

The FY 1984 Budget Justifications indicate that if agreements cannot be reached with the States, it was our intent to phase-out operations of the hatcheries and initiate disposal of the property through the General Services Administration. However, in view of recent guidance from the House Appropriations Subcommittee not to take any actions that may restrict Congress' options regarding these hatcheries in FY 1984, we will continue to maintain the staffs at these units through September 30 and postpone actions to dispose of fish, equipment, supplies and facilities unless the Congress earlier concurs with an agreement for State operation. If these units are not transferred to the States this year, we will then absorb costs for phase-out and closure during the first two to three months of the fiscal year (estimated at up to $457,000 for all five hatcheries). As indicated previously, there are no funds budgeted for that purpose in FY 1984.

Question: For the twenty proposed for closure in FY 1984, will you please update your priority ranking for the Committee?

Answer: The Service strongly supports the transfer or closure of all of the twenty hatcheries identified in the FY 1984 budget. However, based on the resource priorities of the Service's Fishery Resources Program, the priority order for transfer or closure is as follows:

Priority for Closure/Transfer	Hatchery
1	Warm Springs NFH, GA
2	Pvt. John Allen (Tupelo) NFH, MS
3	Carbon Hill NFH, AL
4	McKinney Lake NFH, NC
5	Berkshire NFH, MA
6	Uvalde NFH, TX
7	Mammoth Springs NFH, AR
8	Harrison Lake NFH, VA
9	Meridian NFH, MS
10	Frankfort NFH, KY
11	Wolf Creek NFH, KY
12	Millen NFH, GA
13	Inks Dam NFH, TX
14	Tishomingo NFH, OK
15	Walhalla NFH, SC
16	Lamar NFH, PA
17	Bowden NFH, WV
18	Chattahoochee Forest NFH, GA
19	Genoa NFH, WI
20	Saratoga NFH, WY

Fishery Resources on Alaska Refuges

Question: You are proposing an increase of $510,000 (+31%) for fishery resources on Alaska refuges (p. 155). The largest portion of that increase is for regional office studies and contracts. Can you describe the studies to be undertaken? Does ANILCA require these? If so, what sections?

Answer: The requested funding will support studies related to several specific requirements of ANILCA. The studies and contracts shown at the regional office level will support the overall efforts of the Service and therefore are not allocated to any specific field office. Most of the studies address information needs related to specific resource issues and will be conducted through contracts with the State, universities and others.

Section 304 (g)(1) and Section 304 (2)(A) and (E) require the preparation of comprehensive conservation plans for each refuge established by the Act. These plans must identify and describe the populations and habitats of fish resources and significant problems which may adversely affect these populations and habitats. Inventories of fishery resources in river systems on the Yukon Delta, Becharof, Kodiak, Alaska Peninsula, and Togiak NWRs will be initiated to collect data for the comprehensive plans. In addition, lake classification and inventories and aerial spawning ground surveys will be performed on the Yukon Flats and Kanuti NWRs.

Three studies are planned to assess fishery resources of the coastal plain of the Arctic NWR as required by Section 1002(c). This work includes: (1) baseline fishery resource inventories in coastal lagoons; (2) studies of fish overwintering areas on the refuge; and (3) evaluation of fish population data for Peters - Schrader Lakes.

Baseline fishery resource inventories in the mainstem and major

tributaries of the Hodzana River (Yukon Flats NWR) are authorized by Section 1420(a) of ANILCA. This watershed is established as a study area and the Fish and Wildlife Service is to conduct studies to determine the measures and regulations necessary to protect and maintain the water quality and quantity if there is mineral development in the watershed.

Fishery Research

Question: Fish research is proposed for a reduction of $300,000 (-3%) related to research on chemical and biological methods of fish control and the registration of drugs and chemicals used for fish control or fish culture. How much similar research is carried out in the base funds?

Answer: The proposed $300,000 reduction relates to work previously carried out at the Warm Springs, Georgia, research field station which was closed in FY 1983. The bulk of the research on drug and chemical registration and fish control methods is carried out at the National Fishery Research Laboratory in LaCrosse, Wisconsin. Following this reduction, there will be approximately $470,000 directed toward this work at LaCrosse. This remaining funding will support primarily research needed to meet FDA and EPA registration requirements associated with chemicals used in fishery work.

Question: What are the major objectives of the fish research program?

Answer: The overall mission of the fishery research function in the Service is to provide scientific data and related synthesis for application in the cooperative resolution of problems associated with the use, protection, and perpetuation of freshwater and anadromous fishery resources, especially those found in international or interstate waters.

Generally, the Service's research efforts are targeted toward fish resources of national significance that are transboundary in nature with multi-jurisdictional considerations, or research needs that are national in scope and cannot be addressed on a practical basis by State fishery agencies. Some of the higher priority resources of primary concern include anadromous Pacific salmon and steelhead in the Northwest and Alaska, Atlantic salmon and shad in the Northeast, anadromous striped bass on the Atlantic and Gulf coasts, free-ranging fish populations of the Great Lakes, transitory fish populations of the major river systems, and threatened or endangered species.

The major thrust of the Service's fishery research activities is to provide information needed for resolution of specific resource issues or problems. Many of the major resource issues relate to resource overuse and depletion, as in the case of anadromous salmon and striped bass on the east and west coast and Lake trout in the Great Lakes. Other major issues relate more to habitat loss and impairment and the adverse effects on fish productivity, as caused by contaminants, water impoundment or diversion, altered stream flows, and other environmental factors. Service research activities help to resolve these issues by demonstrating and analyzing cause-and-effect relationships; developing methodologies for the assessment, control, and allocation of fish populations; and improving processes for culturing fish and preventing and treating fish diseases. This research information is available for use by Federal and State fishery administrators and managers, intergovernmental commissions, fishery councils and compacts, hatchery managers, fish farmers, and other concerned agencies and individuals.

Fishery research activities presently include:

- investigations associated with the protection, restoration, and use of Pacific and Atlantic anadromous fish;

- investigations relating to fish populations of the Great Lakes, including such things as habitat assessment, population ecology, stock assessment, and development of allocations models;

- research and development of fish culture technology and systems, and related investigations on fish health and diseases, fish nutrition, fish genetics, and drug/chemical registration;

- development of chemical and biological controls for fish populations;

- assessment of adverse and beneficial impacts of introduction of exotic (non-native) fish species into U.S. waters; and

- investigations of the population ecology of Mississippi River fishes and identification of larval fishes.

Question: How much is spent in production function type research?

Answer: We interpret production function type research as research relating to all aspects of fish culture including such things as development of artificial propagation systems and technology, fish disease diagnosis and control, fish nutrition, and fish genetics. In FY 1984, the Service budget will provide slightly less than $4.7 million for this area of research.

Question: How much in long-term, high-risk research?

Answer: Based on an interpretation of long-term, high-risk research as basic research for general scientific knowledge rather than research designed to address a specific issue or problem, the Service directs approximately $330,000 to long-term, high-risk research.

Question: How much in the formulation of diets for use in Federal hatcheries.

Answer: The Service spends approximately $550,000 in fish nutrition research, most of which is centered at the Tunison Laboratory of Fish Nutrition at Cortland, New York. In addition to this, approximately $150,000 is used annually for diet testing and development work at the Abernathy Salmon Culture Development Center in Washington State and the Diet Testing Development Center in Spearfish, South Dakota.

The Service's research and development expertise in fish nutrition is recognized world-wide and has played a leading role in the development of formulated fish feeds over the last 30 years. In fact, the initial research done by the Service provided much of the basis for the development of the commercial trout feed industry. Most of the State fishery agencies also rely on the Service's fish nutrition research for their fish culture programs. As such, its role is much broader in scope than simply developing feeds for Federal (FWS) hatcheries, and it is unrealistic to consider it only in this context.

Commercial Fish Food Diets

Question: In 1982, the FWS conducted a diet test at the Tunison, Idaho, lab that showed that "there probably are several available fish feed formulations that are as good as or better than the FWS ... feeds... . Rearing fish in a government hatchery is no different than rearing one in a commercial setup... . The

FWS should re-examine its present practices regarding feed procurement and diet development." What have you done to comply with these recomendations?

Answer: The Service carefully considered the recommendations contained in the internal report you reference.

Question: As I read that report, the FWS could save at least $316,000 annually in feed costs alone, not including the research costs, contracting costs, etc. needed to develop its own formula and procure it. Why shouldn't we simply cut that much out of the hatchery operations budget and direct the use of commercially available formulas?

Answer: Further evaluation of the information in the report revealed that the purchase contract prices quoted for the FWS open-formula feed included the cost of delivering the feed to the various hatcheries; conversely, the prices given for the various closed-formula commercial feeds were price at the manufacturing plant. Depending on the location of the specific hatcheries relative to the manufacturing plant, delivery costs may be 15-30% of the contract price. To provide a realistic cost comparison, the contract price of the Service open-formula feed must be adjusted to reflect a comparable FOB manufacturing plant price. When this adjusted contract price is applied to the FWS's salmonid production figure for 1980 of 6,427,367 pounds, the adjusted cost of food for rearing this amount of fish is: $1,674,329 using FWS open-formula feed; $2,058,043 using Ferrago's feed; $1,786,165 using Silver Cup Trout feeds; and $2,171,165 using Rangen's trout feeds. Based on the data for this instance, using Service open-formula feeds saved the Service from $111,836 to $496,836. We certainly don't categorically maintain that the Service open-formula diet is always the lowest priced fish feed available, but, we have found that our contract prices generally compare very favorably to the open-market fish food prices at the time of the contract.

Another very important consideration is the intended use of the trout raised in government (Federal and state) hatcheries. For the most part, commercial hatcheries raise trout for the human food market; their objective is to raise the largest possible fish in the shortest possible time with the best possible eating qualities. Commercial trout diets are often formulated with this objective in mind and are very effective for this purpose. Government hatcheries, on the other hand, generally raise fish for fishery management purposes. Here, high growth rate is not always the objective, as is the production of a quality fish that will survive the handling, transportation, and other stress associated with stocking into a wild environment, and will provide maximum long-term survival in the wild. In other words, our objective is the production of fish that best satisfy the specific fishery management objectives being addressed. The Service's open-formula diets are developed with this primary objective in mind and are used by 14 States in State hatcheries as well as by most Federal hatcheries that produce trout. This consideration would be lost if the Service were directed to eliminate its current open-formula fish food requirements.

In regard to contracting and other overhead costs, even if the Service were to purchase commercial trout feeds it would still be required to follow standard Federal procurement procedures with open-market bid invitations. The only significant difference is that the manufacturer could provide its own diet formulation rather than the specific diet formulation currently required by the Service. Since the procurement procedures, contract monitoring, and quality control requirements would be the same, there would be no significant savings in this area.

The Service's research expertise in fish nutrition is recognized world-wide and has played a leading role in the development of formulated trout feeds over the last 30 years. In fact, the initial research done by the Service provided much of the basis for the development of the commercial trout feed industry. We plan, over the next several years, to redirect this expertise away from the fairly advanced area of rainbow trout nutrition into the investigation of the nutritional requirements of high priority anadromous or other species such as Pacific and Atlantic salmon, striped bass, shad, and lake trout. This research could be critical to the restoration and future self-sustainability of now depleted fish stocks of national significance.

Commercial Purchase of Fish

Question: I have another concern about the lack of use of commercial facilities for acquiring fish stocks. For example, I understand that the commercial private fish farms can raise rainbow trout or other common trout species at less than half the cost of government owned hatcheries. Surely, government biologists could work with contracting specialists to provide a stringent quality control program. Is there any effort currently underway in the Service to expand this program?

Answer: It is not necessarily correct that commercial fish are always cheaper than fish produced in government hatcheries. The Fish and Wildlife Service served as the contracting agent for the Bureau of Indian Affairs in the purchase of over 300,000 rainbow trout for stocking on the Duck Valley Indian Reservation in Nevada during FY 1981 and FY 1982. The cost of those fish was somewhat higher than fish previously provided from the Federal hatcheries. In addition, a number of problems related to the health and quality of these fish were encountered. Hence, this limited experience did not provide a good basis for evaluating the feasibility or desirability of purchasing fish for Federal fishery management purposes.

Subsequently, the Service completed an analysis in FY 1982 of the cost savings that might be realized by purchasing fish from commercial sources for fishery management purposes rather than producing them at Federal facilities. The results of this analysis indicate that catchable-size catfish in the southeast and southwest and catchable-size rainbow trout in the northwest might be cheaper purchased commercially than produced in Federal hatcheries. Consequently, the Service planned small-scale field testing to systematically compare the cost and performance of Federal hatchery produced versus commercial hatchery produced fish in real fishery management situations. The objectives of this evaluation were:

- to verify the estimated price differentials identified in the 1982 study,

- to develop Federal contracting requirements for, and experience with, the purchase of the target species of fish; and

- to provide private producers with experience raising fish for the specialized and exacting requirements of fishery restoration and management programs.

Before this follow-up evaluation got underway, however, changes in program emphasis decreased the need for these species in Service fishery management activities. The Service has been decreasing its production of catchable rainbow trout in the northwest for several years to place increased emphasis on restoring anadromous runs. For the most part, production of catfish and rainbow trout is very low Federal priority. There is no longer any Federal need for catfish in the Southeast and rainbow trout in Northwest, so no further purchases of fish from the private sector are contemplated.

Question: It seems to me that some of the costs used to support government specific hatcheries could better be used to support research and development activities. Would you prepare a thorough analysis of potential savings and a 3-year plan for capturing those savings through an expanded program of acquiring fish from private commercial sources?

Answer: Our analysis of the comparative cost of purchasing versus producing fish indicates that significant savings would be likely in only very specific circumstances. We will, however, continue to be sensitive to specific opportunities to purchase fish where it may be costeffective and responsive to program needs.

Fishery Technical Assistance

Question: You are proposing no change to the technical assistance for fishery resources (P. 158). Is there any technical assistance provided on aquaculture? If so, please provide a breakdown of staffing and funding.

Answer: There is no funding appropriated to the Service specifically for technical assistance to the commercial aquaculture industry. However, much of the fish husbandry research and development and related technical information transfer activities conducted by the Service in such areas as fish health, fish nutrition, fish genetics, and fish culture technology provide considerable spin-off benefits to the aquaculture industry. The Service's fish husbandry research is coordinated through the National Fisheries Research Center in Leetown, West Virginia. A certain level of direct assistance is provided in the course of day-to-day operations by responding to technical inquiries and walk-in requests. Also, the Service does serve as the Secretary's representative in planning and other activities related to implementation of the National Aquaculture Act, although no funds have been appropriated for implementation of this act. Service-wide, there may be a total of $50,000 and 1 FTE expended annually in these aquaculture-related activities.

In addition to this, the National Marine Fisheries Service (NMFS) has provided approximately $150,000 annually on a reimbursable basis to the Service's Fish Farming Experimental Laboratory in Stuttgart, Arkansas, to provide technical assistance to the catfish farming industry in the Southeast. Approximately 2 FTE's are expended in this activity. However, the FY 1984 budget for the NMFS proposes to terminate this funding.

Question: Is there any cooperation being provided for warmwater sport or recreational fishing? If so, please provide a breakdown of staffing and funding.

Answer: The Service's only significant cooperative technical assistance activities directly relating to warmwater sport or recreational fishing are concerned with management of fishery resources on national wildlife refuges. Approximately $200,000 and 7 FTE's are expended annually. The Service considers good stewardship of Service owned lands and resources to be a high priority.

The Service provides fishery technical assistance to a number of other Federal land management agencies under reimbursable agreements totaling about $2.5 million annually. In these cases, the land management agency budgets for the funding. Some of these agencies include the Bureau of Indian Affairs, the Department of Defense, National Park Service, Tennessee Valley Authority, and U.S. Forest Service. Generally, less than $100,000 of this funding is for work relating to warmwater recreational sport fisheries.

Question: Wouldn't it be consistent philosophically to eliminate fishery assistance for the same type of fishery objectives for which you have proposed hatchery closures?

Answer: Over the last several years, the Service has examined its fishery technical assistance activities and has terminated those activities for which there is not a clear rationale for Service involvement. The Service's FY 1982 and FY 1983 appropriations included significant reductions in fishery technical assistance in line with this re-evalution. Those technical assistance activities that have been retained relate primarily to the same resource priorities toward which Service hatchery operations are now directed.

ARMM Funds

Question: What is the relationship between the funds requested under the ARMM program in the Resource Management Appropriation and these funds requested in the construction appropriation?

Answer: The ARMM program is designed to eliminate the annual maintenance deficit, establish an adequate maintenance funding base, and provide for rehabilitation of existing facilities. The Service's target funding of $16.6 million for ARMM in FY 1984 is the level the Service can adequately undertake and accomplish in the first year. ARMM will be fully implemented, according to the planned schedule, by FY 1989. Most of the target funds, $14.6 million, are in the Resource Management Appropriation and are primarily designed to maintain current facilities and structures. These kinds of projects are generally small in scope, of an annual or recurring nature, and part of the day-to-day business on a refuge. Examples include: maintaining irrigation ditches for $28 thousand at Ruby Lake National Wildlife Refuge; rip-rapping South Dike for $16 thousand at Chautauqua National Wildlife Refuge, and boundary signs for $10 thousand at Bon Secour National Wildlife Refuge. There is an additional $2.0 million of target funds in the Construction Appropriation. These projects are generally large in scope, not of a regular or recurring nature, and not part of the day-to-day business of a refuge. Examples include: rehabilitation of existing facilities for $790 thousand at Yukon Delta National Wildlife Refuge; habitat restoration for $164 thousand at Blackwater National Wildlife Refuge; and the replacement of bridges for $273 thousand at Ottawa National Wildlife Refuge.

Question: Is there a particular reason that the funds, which appear to be eligible for use on identical projects, have been requested in these two different appropriations?

Answer: Currently, major maintenance and rehabilitation projects are defined as those exceeding $60,000 while minor maintenance and rehabilitation projects are those under the $60,000 ceiling. The Service is seeking Congressional authority to raise the limit on minor maintenance and rehabilitation to $200,000 based on increased costs of construction. All major maintenance and rehabilitation projects must be funded in the construction appropriation while minor maintenance and rehabilitation can be funded in either appropriation. The appropriation selected basically reflects the nature of the proposed expenditure. That is, small projects, projects of an annual or recurring nature, or projects that are part of the day-to-day business of a refuge are proposed for funding in the Resource Management Appropriation. Larger projects, projects not of a regular or recurring nature, or projects not normally part of the day-to-day business of a refuge are proposed for funding in the Construction Appropriation.

Bogue Chitto NWR

Question: The Committee added $150,000 for operations at Bogue Chitto National Wildlife Refuge, Louisiana in FY 83 for personnel and equipment to facilitate the operation of this new refuge. This was to be in addition to the $20,000 in the base funding for FY 82. However, the table on p. 95 and p. 9 in the the back of the justification shows 1984 base funding for Bogue Chitto of $145,000, not $170,000. Why? What happened to that $25,000?

Answer: The $145,000 indicated in the justification represents the original $20,000 base plus an increase of $125,000 under the ARMM program. It does not represent the additional funding directed by Congress, which was was allotted to Bogue Chitto NWR in mid-April 1983 bringing the FY 1983 station total to $170,000. This was accomplished after the preparation of the justification; the Service regrets the oversight of not including the additional funding directed by Congress in the justification. The station total of of $145,000 in FY 1984 is adequate, since the $25,000 was a one-time equipment purchase cost need.

Question: What is the Service's plan for staffing Bogue Chitto specifically, not out of another refuge?

Answer: Two full-time staff persons are currently assigned to the refuge and a third full-time staff person is now being selected. Part-time secretarial/clerical services are now utilized with a full-time position expected to be necessary in the future.

Question: What will the $170,000 be used for specifically in FY 83?

Answer: Approximately $90,000 for salaries and $80,000 for equipment/supplies will be utilized this fiscal year at Bogue Chitto NWR.

Question: When will the Service initiate construction of an administrative site at Bogue Chitto?

Answer: There are no current plans to construct an administrative site.

Columbia Dam and Reservoir, Tennessee

Question: Review briefly FWS involvement in the Columbia Dam and Reservoir project in Tennessee.

Answer: Two Section 7 biological opinions have been rendered to the Tennessee Valley Authority (TVA) on this project, on February 16, 1977, and September 28, 1979. Both opinions stated that the project, as planned, would be likely to jeopardize listed mussels. TVA accepted an alternative included in the second opinion--to conduct a conservation program on the two mussel species including habitat studies, and ultimately, to transplant the mussels to locations outside the area of the proposed impoundment. The TVA was to coordinate the program with the Service and the Service would finally decide whether the conservation program, including the translocations, was successful to the point of eliminating the likelihood of jeopardy to the mussels if the dam was completed. To facilitate this coordination, a committee was formed comprised of personnel from the Service, TVA, EPA, and the States of Tennessee, Virginia, and Alabama.

Most of the study phase of TVA's conservation program was completed by early 1982. In March and May 1982, FWS and the Columbia Dam Coordinating Committee met to develop criteria for judging success of TVA's translocation efforts. On May 25, 1982, the Service transmitted to TVA its criteria for judging "likely success" and "proven success" of its conservation program (essentially the translocation aspects of that program). Likely success could be achieved at the earliest by the fall of 1983, at which point an additional phase in dam construction could go forward. The earliest theoretical date at which proven success could be determined would be sometime in the summer or fall of 1986, and this assumes that 2-year old mussels can be identified to the species level.

Question: Do you believe that TVA is proceeding in an appropriate manner relative to the mussel conservation program?

Answer: The TVA seems to be proceeding in a satisfactory, timely, and appropriate manner in all areas of the mussel conservation program

with the one possible exception of not initiating habitat improvement projects the Service feels are necessary for final success of the entire program. Since final success of the program for one of the two mussel species, the birdwing pearly mussel (Conradilla caelata), will hinge on the success of transplanted populations of this species, it is important that the quality of the aquatic habitat into which these animals are being transplanted be improved, where necessary, and maintained at a level that would not constitute a limiting factor in the animal's life history.

Success for the other species, the Cumberland monkeyface pearly mussel (Quadrula intermedia), will depend upon improvement of habitat where the few remaining individuals currently exist. As detailed in the Service's letter of April 25, 1983, to TVA, some of the problems the Service feels should be considered are: low water temperatures at a site downstream from an existing dam; siltation from strip mining and agricultural practices; and the introduction of coal fines (residues) into some rivers from coal washing facilities. The TVA appears to be having some difficulty identifying the exact nature of habitat problems, and implementing projects directed specifically at improving the quality of habitat for these two species of mussels.

Question: What activities must take place as a result of the FWS biological opinion?

Answer: As detailed in the Director's September 28, 1979 opinion, the TVA should carry out a conservation program for the two species of endangered mussels concerned that may involve the transplantation of mussels from the proposed area of impoundment, as well as habitat improvement projects in areas where the mussels are found or to which they are translocated. The success of this program will be determined by the Service, and this should be at that point where inundation of the mussel sites in the Duck River by completion of the dam would no longer jeopardize the continued existence of the two species.

Question: What is FWS's timetable for finalizing the success of the mussel conservation program?

Answer: A timetable for completion of phases of the conservation program was developed by the Columbia Dam Coordinating Committee, and proposed to TVA by the Service as the earliest that minimum program goals could be achieved to constitute success. The earliest that TVA could achieve a level of likely success would be in the fall of 1983, at which point they could then proceed to another phase in construction of the dam. The earliest at which final, proven success could be achieved, would be in the summer or fall of 1986. Both of these achievements will depend not only on such biological criteria as translocating mussels and observing reproduction and growth at these new sites, but also on the identification and implementation of habitat improvement projects for both species.

Question: What steps must be completed before construction can proceed?

Answer: As detailed in the Service's letter of May 25, 1982, to TVA, a partial diversion of water through the incomplete dam gates may be completed once the following criteria for each species have been satisfied by TVA:

Birdwing pearly mussel (Conradilla caelata)

1. Following quantitative sampling in September 1983, it will be found at three out of four of the transplant sites of this species that:
   a. At least 50 percent of the transplanted mussels have survived;

b. Approximately the same sex and age ratio exists as existed in the Duck River site;
c. At least 10 percent of the females are gravid (pregnant); and
d. The fish hosts for development of the species are present in the vicinity of these sites in densities comparable to sites with natural populations of this mussel species.

2. Any required habitat improvement programs and/or activities will be in progress on the rivers where the transplants have occurred.

3. No new threats to the species' continued existence will have developed on the Clinch and Powell Rivers in Virginia and Tennessee.

Monkeyface pearly mussel (Quadrula intermedia)

1. A population of this species at least as large as the population currently in the Duck River should be documented to occur in the Elk, Clinch, or some other river. Also, the Elk River population must be found to contain individuals which would have developed since the closure of Tims' Ford Dam.

2. A population of Quadrula intermedia shall be found to exist in the Powell River at least as large as was present at the time of the September 1979 Biological Opinion.

Prior to final closure of gates and completion of Columbia Dam, the following criteria should be satisfied by TVA for each mussel species:

Birdwing Pearly mussel (Conradilla caelata)

1. Viable populations will be established in at least three rivers other than the Clinch and Powell Rivers where populations of the species already exist. Populations will be assumed viable when two distinct juvenile year classes of Conradilla caelata (derived from glochidia (a larval stage in the life cycle) released at the transplant site by surviving transplanted females reproducing under natural river conditions) are found in each of three rivers.

2. Habitat improvement programs and/or activities recommended by the Service that were developed from findings of the Conservation Program Activity Reports and recommendations of the Columbia Dam Coordination Committee will be in place and operational on each of the three rivers where populations have been established and the programs and/or activity will be producing demonstrable results in habitat quality improvements.

3. No new threats to the species' continued existence will have developed on the Clinch and Powell Rivers.

Monkeyface pearly mussel (Quadrula intermedia)

1. A naturally reproducing population of Quadrula intermedia at least as large as the Duck River population will be found to still exist in one river in addition to the Powell River.

2. A reproducing population of Quadrula intermedia will still exist in the Powell River at least as large as was present at the time of the September 1979 Biological Opinion.

3. Habitat improvement programs and/or activities recommended by the Service that were developed from the findings of the Conservation Program Activity Reports and recommendations of the Columbia Dam Coordinating Committee will be in place and operational on the Powell River and on one other river identified in 1. above. These programs and/or activities will be producing demonstrable results in habitat quality improvements.

Question: Do you think a reasonable solution can be developed with TVA and if so can you provide a brief summary of activities and timetables that should be accomplished?

Answer: Although TVA appears to be having difficulty identifying and implementing specific habitat improvement activities where these two mussel species occur or are being transplanted (as detailed in the Service's letter of April 25, 1983, to the TVA), the Service feels that once it has accepted its responsibilities in this regard there remains the opportunity to move ahead with the total program. TVA might apply its influence as a progressive entity in the Tennessee Valley to reduce unnecessary release of pollutants into rivers where these mussels are found. The Service would further suggest that TVA support abandoned strip mine restoration and mine deposit removal projects, provide guidance to farmers to control agricultural runoff, and encourage coal contracts that result in improved reclamation projects. The TVA can design, fund and construct habitat improvement measures such as lowhead dams to control the movement of silt and coal washing residues. These habitat improvement measures will help the Service determine that the total program has been successful.

On more strictly biological grounds, there still remains the basic necessity of verifying on-site reproduction of Conradilla caelata in transplant populations, identifying juveniles of this species at least two years of age, and locating populations of Quadrula intermedia of the required size in other rivers before the Conservation Program can be considered to have been successful. As previously stated, the earliest possible date at which the entire program could be considered successful is the latter half of 1986.

Lower Snake River Compensation Fund

Question: You are proposing the establishment of a new appropriation to fund the operation and maintenance of mitigation hatcheries on the Lower Snake River. You are also scheduled to submit legislation establishing the mechanism to have Bonneville Power Administration power customers bear the cost of these hatcheries through their rate structure and to have the FWS reimbursed to operate these hatcheries. Does BPA currently charge its customers the amount needed to operate these hatcheries?

Answer: Since 1980, BPA has included less than a third of the costs for planning, operation and maintenance of Lower Snake River Compensation Plan (LSRCP) fishery facilities in establishing its rates.

Question: Would additional rate increases be needed? If so, how much?

Answer: It is unlikely that the LSRCP fishery O&M costs already included in BPA's rate base or inclusion of these additional costs will have a measurable effect on electric power rates. The shortfall between actual costs and the Army Corps of Engineers (ACoE) estimates used by BPA for the period from FY 1980 through FY 1985, will total about $8.8 million. Since BPA's power revenues for the period FY 1980 through FY 1984 are projected to be about $7.9 billion, this shortfall amounts to less than one-tenth of one percent of revenues.

Question: Last year, the Committee added $1,200,000 to keep the compensation plan on schedule. That brought the FY 83 funding for these hatcheries up to $2,287,000. Your '84 justification, however, shows '83 funding at $2,229,000. What is the difference?

Answer: The $2,287,000 FY 1983 funding level cited for the LSRCP activities was derived by adding the amounts specifically requested by or appropriated to the Service for the LSRCP from FY 1980 through FY 1983. In FY 1982, however, two adjustments of

the Service's Resource Management Appropriation (transfer of general administrative costs to a new General Administration budget activity and an appropriation-wide four percent reduction in funding) reduced LSRCP base funding in the Fishery Resources activity from $1,087,000 to $1,029,000. Hence, with the $1,200,000 added by the Congress in FY 1983, LSRCP funding now totals $2,229,000.

Question: The total FY 84 funding proposed for the LSRCP is $3,657,000 or an increase of $1,428,000 (+64%) over 1983 appropriations to date. Is this the amount needed to keep the hatchery funding on schedule regardless of source of funding?

Answer: Yes. A total of $3,657,000 will be required in FY 1984, regardless of source of funding, to continue the systematic implementation of the Lower Snake River Compensation Plan. Under the Plan, the Corps of Engineers is constructing or reconstructing 20 fishery installations, including ten hatcheries. Fifteen of these installations are currently in operation using permanent or temporary facilities. The additional $1,428,000 included in the Service's FY 1984 budget request to Congress is for operation of new facilities at four LSRCP installations plus major expansion of evaluation studies and the Idaho spring chinook salmon egg bank. Without this increased O&M funding, an investment in FY 1984 in excess of $25,000,000 for new facilities will be wasted. Of even greater significance, the contribution of these facilities to the restoration of the anadromous fishery resources of the Snake River basin will be delayed at least a year and possibly longer.

Question: Do you have the draft legislation prepared yet? If not, when do you propose to do so?

Answer: A legislative proposal is currently being reviewed within the Administration. We hope this legislative review process will be completed shortly.

Question: If the use of BPA receipts is authorized by existing statutes, what is the purpose of your proposed legislation?

Answer: It would establish a mechanism for the Bonneville Power Administration (BPA) to deposit funds directly into an account for use by the Secretary of the Interior (FWS) rather than reimbursing the treasury as now required by law. Under existing statutes, BPA must repay all Federal costs for planning, operations and maintenance of LSCRP installations and programs. While the legislative proposal reiterates this requirement, its principal purpose is to establish a mechanism for making the funds deposited by BPA directly available to the Secretary of the Interior and the FWS to thereby facilitate implementation of the LSRCP.

Question: As I understand the April 12, 1982, memorandum from the Assistant Solicitor, the Water Resource Development Act of 1976 (which authorized the LSRCP) requires one of the fishery agencies (i.e., the FWS) to fund the operation and maintenance costs of the LSRCP through the appropriations process. Is that correct?

Answer: Yes. The legislation directs that a Federal fishery agency be the responsible agency. A subsequent decision by the Office of Management and Budget designated the Fish and Wildlife Service as that agency.

Question: Does he further find that the BPA is required to reimburse the FWS for these O&M costs, or is that reimbursement optional, or is that reimbursement prohibited absent additional legislation? The solicitor's opinion reads at one place: "... I conclude that the WRDA, the Fish and Wildlife Coordination Act (FWCA) and the Federal Columbia River Transmission System Act together provide that the construction, operation, and maintenance

costs borne by the Federal Government for the Compensation Plan must be repaid to the Treasury from the Bonneville Power Fund and may not be credited to the budget of the FWS."

Answer: Under existing law, as noted in the Solicitor's Opinion, BPA cannot provide funding directly to FWS or reimburse FWS directly for its LSRCP fishery installations and program costs. They have to repay LSRCP fishery facility costs to the U.S. Treasury and FWS has to seek necessary funds through the regular appropriations process. The legislation currently under review within the Administration would change these procedures and allow BPA, in effect, to provide funds directly to FWS at the beginning of each fiscal year. There would, however, still be an opportunity for Congress to review annual funding requests. This money would be provided through a new budget account and would, therefore, be subject to review by Congress each year in the regular appropriations process, as is any other budget account.

Question: Is the BPA fund currently collecting those revenues necessary to repay the Treasury?

Answer: Based on ACoE Estimates, BPA has included most construction costs and a small portion of the Service's O&M costs in its rate base since FY 1979.

Question: Is the Corps being reimbursed for construction costs.

Answer: BPA bases repayment priorities on the interest rates on outstanding capital expenditures, with capital costs bearing the highest interest rates being repaid first. Since LSRCP construction costs have lower interest rates, BPA reimbursement to the U.S. Treasury of Corps LSRCP fishery facility construction costs has not begun as yet.

Questions Submitted by Senator Lawton Chiles

Question: Does the need for the construction of the exotic fish laboratory (National Fishery Research Laboratory) in Gainesville, Florida, still have the high priority you indicated in the Yates Report and in previous testimony before this committee?

Answer: The Service presently has a limited research program at Gainesville primarily related to assessing the current status of exotic species presently in U.S. waters. Also, a number of States and universities have initiated research and assessment activities on the status and impacts of exotic fish introductions. Overall, the impacts of introduced exotic fish species on native fish resources and ecosystems are being adequately monitored and addressed. Therefore, the Service believes that construction of a new laboratory specifically for this purpose is not critical to the protection of the Nation's fishery resources.

Question: What is the status of the construction of the lab?

Answer: A limited amount of work has been done at the proposed laboratory site in Gainesville. The environmental impact assessment, archeological surveys, and architectural drawings have been completed. Also, the site has been cleared and an access road and electrical service have been installed. Two mobile homes have been placed on site for temporary office and laboratory space, and 25 outdoor tanks have been installed for temporary experimental facilities. Engineering design and construction schedules for the laboratory building have been completed.

Question: Please describe the facility and its function?

Answer: The facility, as originally planned, would contain approximately 20,000 square feet of floor space in the main building and would include two wet laboratories, a mechanical core, offices, library, and several small specialized laboratories. Experimental ponds, maint nance shop, and storage facilities would be added in a second ph e. The facility would be used to carry out scientific tests necessary to evaluate exotic fish being considered for introduction for aquaculture or other use. Both ornamental and food fish would be evaluated. A later phase would provide for physiological and behavioral studies or large-scale controlled studies in a natural setting.

Question: What is the present size of the laboratory staff in Gainesville and are funds sufficient and ceilings available to the lab for it to carry out its function?

Answer: The present staff consists of an acting station chief, a biological technician, and a secretary. The station is administered through the National Fishery Center at Leetown, West Virginia. The present budget of $243,000 and 3 fulltime employees is adequate to support the current effort.

Question: What additional funds and ceilings are needed?

Answer: Under the present status, no additional funds or ceilings are needed.

Questions Submitted by Senator J. Bennett Johnston

Bogue Chitto NWR

Question: Last year, the Senate Appropriations Committee report included a specific earmark of an additional $150,000 for operations and maintenance at the Bogue Chitto National Wildlife Refuge in Louisiana. To date, these funds have not been allocated. When do you plan to allocate these funds to enable necessary equipment to be purchased and additional staff to be hired?

Answer: An additional $150,000 in funds were allocated by the Regional Office in mid-April 1983 to be utilized for refuge staffing and equipment. The percent split between personnel salaries and equipment purchased will be approximately 50/50. Two professional full-time staff are currently assigned to the refuge and the third professional staff person is currently being selected. Secretarial/clerical services are now less than full-time and will be maintained at the support level required until a full-time secretary is needed.

Question: Does the FY 1984 base funding include these additional personnel funds?

Answer: The FY 1984 base covers all personnel funding requirements (approximately $105,000).

Question: What must be added to maintain O&M at the enhanced level the Committee approved, and the conferees agreed to last year?

Answer: Since the start-up equipment costs in FY 1983 will be approximately twice the estimated FY 1984 equipment maintenance costs, the O&M base of $145,000 that is proposed in the budget will be adequate to operate the refuge at an enhanced level.

Questions Submitted by Senator Ted Stevens

Funding for ANILCA Exploration Activities

Question: Regulations are being published in the Federal Register today governing oil and gas exploration in the Arctic National Wildlife Refuge. The U.S. Fish and Wildlife Service will be responsible for

reviewing and approving exploration plans, issuing permits, monitoring the seismic crews activities within the refuge, and reporting to Congress as to the feasibility of further exploration as mandated by ANILCA--these activities are funded out of Wildlife Resources monies which are being increased by $3,108,000 or 30 percent. Was this increase proposed specifically to fund these activities?

Answer: No, ANILCA activities will be funded from within existing base at the FY 1983 level of $813,000. The proposed FY 1984 Wildlife Resources increase is targeted at general wildlife management and maintenance and rehabilitation of facilities on refuges.

Question: If not, how will the increased funds be utilized?

Answer: A total increase of $3.355 million was requested for all FWS activities in Alaska (see page FWS-17 of the FY 1984 Budget Justification) of which $3.099 million was proposed specifically for improving wildlife management and for maintenance and rehabilitation of facilities and equipment on refuges. Appropriations will be used in the following order: employee and public health and safety, habitat management facilities; administrative maintenance facilities; wildlife-oriented, public-use facilities; and facilities for environmental education and interpretation.

Question: How much have you set aside for this project?

Answer: Arctic Coastal Special Studies has been proposed to receive continued funding of $813,000 under ANILCA Section 1002 during FY 1984.

Question: Is the amount you have reserved adequate in your judgement to meet the demands which will be placed on the U.S. Fish and Wildlife Service by this exploration program?

Answer: The $813,000 is adequate for conducting Service activities related to baseline fish and wildlife resource data. The required funding level to do an adequate resource assessment and analysis, that is oil and gas exploration plan evaluation and field monitoring of exploratory activities is an additional $1,100,000.

Question: How many people will be needed for this operation?

Answer: In 1983 there are 13 FTEs, and there will be 16 FTEs in FY 1984. There are no additional personnel requirements beyond the 16 FTEs.

Funding for Cooperative Units

Question: The U.S. Fish and Wildlife Service is proposing eliminating all funding nationwide for the Cooperative Research Program. In FY83 an estimated $117,000 will be spent on the Fisheries Unit Program in Alaska while approximately $130,000 will be allocated to the Wildlife Unit Program.

In FY82 and FY83, the U.S. Fish and Wildlife Service proposed cutting this program and in both years Congress restored the funding. Congress has made its intent clear with regard to the value and utility of continuing this vital program.

Why are you proposing to dismantle this program for a third time?

Answer: State conservation agencies and universities have expanded their capabilities to conduct fish and wildlife research and train graduate students. The participation of the Fish and Wildlife Service is no longer essential for the cooperative programs to continue. Mutually supported cooperative programs at the local level can carry out the same or similar functions without Federal participation.

Question: America's wildlife resources are part of the legacy we must leave our children. In light of the fact that fish and wildlife

know no boundaries, how do you justify eliminating the federal share of funding?

Answer: It is consistent with the objectives of this administration to pass responsibility for fish and wildlife resources to the state level. Since funds are provided cooperatively to conduct projects, these programs can continue at the discretion of the local interests. In this way, local interests that will benefit the most will participate directly in preserving the legacy of their wildlife resources.

Question: What research projects will be eliminated in Alaska as a result?

Answer: Research projects at the Alaska Cooperative Wildlife Unit are:

1. Winter habitat use by deer on Prince William Sound islands
2. Importance of old growth timber to mink and river otters in southeastern Alaska
3. Impacts of the proposed Susitna Hydroelectric Project on furbearers
4. Migratory energetics of caribou
5. Caribou behavior: ecology in relation to oil field development
6. Brown bear responses to visitor use intensity at Pack Creek
7. Ecology of feral dogs
8. Muskox Symposium

Research projects at the Alaska Cooperative Fishery Unit are:

1. Development of a sonar system for discrimination of fish species and sizes
2. Ecology and fishes of the Chena River: primary production
3. Ecology and fishes of the Chena River: resource partitioning and interactions among juvenile salmonids
4. An ecosystem approach to effects of placer mining on streams in internal Alaska
5. Evaluation of methods for assessment of freshwater fish populations in Alaska
6. Investigations on homing in Arctic grayling
7. Development of methods and guidelines for assessment of freshwater fish populations

Question: Considering the cuts being made in state budgets across the country and the financial condition of many of our colleges and university, how do you expect they will be able to make up for the loss of federal funding?

Answer: The contributions of more than 100 state and federal agencies and private organizations to support of individual research projects at the Cooperative Units indicate that non-federal funds will continue to be available to conduct many of these cooperative programs. Over $6 million has been provided by outside sources to fund research in FY 1983. The work will continue to be high priority, and the funds should be as available to a cooperative program without federal involvement, as they are to the current program. For example, the Fish and Wildlife

Service, Alaska Fish and Game, and other agencies will continue to need research done in Alaska and will certainly work with the primary university to do some of it. This situation should prevail in other states.

Question: Specifically, how will the University of Alaska be affected by the elimination of student training funds?

Answer: Cooperative Unit funds do not pay directly for student education. The funds support Federal staff located at the universities who supervise the students. The University of Alaska is in a unique position being the primary educational and research institution in the state. Funds for research on fish and wildlife should be available from the Fish and Wildlife Service, and other federal agencies with land management responsibilities. There should be no overall reduction in funds available to the University of Alaska to train students.

Question: Since the extension services which brings the latest knowledge and management techniques into the field will also be disbanded, how will current research findings and information be disbursed?

Answer: The Fish and Wildlife Service has a new Office of Information Transfer housed in the Research and Development arm of the agency. It will be the responsiblity of this office to disseminate current research findings and information, for use in land management for fish and wildlife. There are new fish and wildlife extension capabilities available around the country, administered under the Department of Agriculture and associated with their successful Extension Program. These activities should provide excellent services in disseminating current research findings and information.

Alaska Refuges

Question: During this past year the U. S. Fish and Wildlife Service proposed closing the Alaska Maritime National Wildlife Refuge office in Homer along with the Innoko National Wildlife Refuge office in McGrath in an effort to consolidate and save money. After discussions with my office, the U. S. Fish and Wildlife Service reversed those closure decisions. There are at least five refuges now that have only one or two man crews including Nowitna, Koyukuk, Tetlin, Selawik and Kanuti National Wildlife Refuges. Will any of these offices be targeted for closure in FY 1984?

Answer: None of these refuge offices are targeted for closure in FY 1984 or future years.

Yukon Delta National Wildlife Refuge

Question: You have budgeted $790,000 for construction in Yukon Delta National Wildlife Refuge. How will these funds be spent?

Answer: FY 1984 construction appropriations at Yukon Delta NWR is proposed to be $790,000. These funds will be spent to rehabilitate existing facilities, insulate and install vapor barriers in three residences ($336,000), rehabilitate existing office/shop and add bunkhouse facilities to the shop ($395,000), and rehabilitate the roadway and visitor parking lot ($59,000).

Questions Submitted by Senator Robert C. Byrd

Fish Hatchery Closures

Question: Mr. Jantzen, the Fiscal Year 1983 Department of the Interior and Related Agencies Appropriations Bill assumes the closure of sixteen fish hatcheries this spring. This bill also assumes the transfer of an additional five hatcheries to state control before the end of this fiscal year. These actions will leave a total of sixty-six hatcheries to serve all the U.S. Fish

and Wildlife Service's legislated or high-priority requirements throughout the nation.

Now, Mr. Jantzen, your fiscal year 1984 budget proposes to close another twenty hatcheries, nineteen of which are outside the northwestern United States. If there are no Federal lands in the mid-west or east and if there are no problems sustaining fish populations in these areas, I could understand the trends that I see in your budget proposals over the last few years. However, there are a number of heavily utilized national parks, forests and other Federal recreation areas in the east and mid-west. In my state of West Virginia, we have a strong sport fishing demand in the Monongahela National Forest. The cold water temperatures and relatively high acidity of many stream in this forest make it virtually impossible to sustain significant numbers of sport size fish from year to year without an active stocking program. Similar situations exist in neighboring portions of Virginia, Maryland, Delaware, Ohio, and Pennsylvania. Despite the obvious need, I note that your 1984 budget proposes to close the Bowden National Fish Hatchery, the only hatchery serving all six of the states that I have just mentioned. Why have you proposed again this year to close the Bowden hatchery?

Answer: Over the last several years, the Department and the Service have re-examined the Fishery Resources program and the proper role of the Federal Government in the management our Nation's fishery resources. This included review of existing statutes, treaties, cooperative agreements, judicial decisions and other Federal mandates relating to management of fishery resources, versus the long-standing doctorine of State jurisdiction over and responsibility for resident fish and wildlife species. Based on this, the priorities of the Fishery Resources program have been reoriented toward (1) restoration of transboundary fish stocks of national significance such as anadromous and Great Lakes fish populations; (2) mitigation of fish resource losses resulting from Federal development activites; (3) management of fishery resources in waters on Federal lands under Federal management; and (4) protection and restoration of fish species which are endangered or threatened. Those activities primarily supporting State programs to enhance recreational fishing are considered lower priority and proposed for termination. Since the Bowden NFH is primarily involved in providing fish for State management programs to enhance recreational fishing on national forest lands, it is proposed for closure or transfer to the State in FY 1984.

Question: Isn't it true that, while some fish from Bowden are put into state waters, West Virginia hatcheries at Edray, Reeds Creek, and elsewhere produce fish for distribution in Federal waters -- so that there is a trade off?

Answer: Bowden National Fish Hatchery stocked 161,000 pounds of fish into State-managed Federal waters (Forest Service, Corps of Engineers, etc.) and stocked 64,000 pounds into State-owned waters in FY 1982. The State stocked 171,500 pounds of fish from State hatcheries into federally-owned, State-managed waters during the same period. This is practical cooperation by the two agencies to reduce respective long-distance distribtion costs. However, it does not change the fact that most of the fish from Bowden NFH were used for State managed recreational fishing programs, a legitimate State responsibility.

Question: The fiscal year 1983 appropriation terminated Federal funding for Wytheville and Paint Bank hatcheries in Virginia and Hebron and Senecaville in Ohio. Your fiscal year 1984 budget proposes also to close hatcheries at Harrison Lake in Virginia and Lamar in Pennsylvania. What other Federal hatcheries remain in the central appalachian region, and how will you fill Bowden's fish distribution responsibilities?

Answer: If actions proposed in the FY 1984 budget are accepted, the only Federal trout hatcheries that would be located within practical distribution distance of West Virginia will be Dale Hollow NFH and Erwin NFH in Tennessee and White Sulphur Springs NFH in West Virginia. However, as explained above, the stocking of state-managed waters for recreational fishing in National Forests is considered a State responsibility and a low Federal priority. Therefore, present stocking activities from Bowden would not be assumed from the remaining Federal hatcheries.

If Bowden NFH is approved for closure or transfer, the State of West Virginia will be offered the opportunity to assume operation of the hatchery under a memorandum of agreement with the Service. We believe the State will accept the operational responsibility if the hatchery is important to their fishery management program.

Question: Isn't it true that Bowden is one of the best of the twenty hatcheries which the FY 1984 budget proposes for closure?

Answer: In terms of operational efficiency and overall condition of facilities, Bowden NFH would be considered an excellent hatchery. However, it is difficult to meaningfully compare the relative efficiency of the hatcheries proposed for closure because the list includes warmwater hatcheries, coldwater hatcheries, and hatcheries performing both warm and coldwater fish production. As stated, the primary criteria for closure was the lack of a Federal need for the fish produced at Bowden and not its relative efficiency or condition.

Question: Your fiscal year 1984 budget assumes that Bowden and the other 19 hatcheries will be closed on October 1, 1983. Assuming that the Committee has not completed its action on the fiscal year 1984 budget by that time, may I have your assurances that you will take no action to initiate the closure of these hatcheries prior to the final decision by Congress?

Answer: The Service will not take any actions that will preclude continued operation of the hatcheries until Congress acts on the FY 1984 budget proposal.

Management Of Federal Fish And Wildlife Efforts

Question: It appears that there is a multiplicity of Federal agencies which have an influence on the Nation's fish and wildlife resources. And, it seems further that there is not adequate coordination at times of all Federal efforts in this regard. Would you provide for the record a listing of all Federal agencies involved in fish and wildlife research and management, the nature of their involvement, and rough approximation of their annual budgetary resources in this area?

Answer: Most of the Federal land or resource management agencies are involved to some degree in protection, conservation, or management of fish and wildlife resources. The following list may not be all-inclusive, but provides an overview of Federal fish and wildlife involvement. Budgetary numbers are estimates based on the best information available to the Service at this time.

Agency	Approximate Annual Budget
National Park Service (NPS)	20 M
Management and research of fish/wildlife resources on NPS lands and waters.	

Agency	Approximate Annual Budget
Bureau of Reclamation (BR)	1 M
Management of fish/wildlife resources on BR project lands and waters.	
Bureau of Land Management (BLM)	15 M
Management of fish/wildlife resources on BLM lands and waters.	
Bureau of Indian Affairs (BIA)	13 M
Advice, training, technical assistance and management, mostly on tribal lands and waters.	
Office of Surface Mining Reclamation and Enforcement (OSM)	(Unidentified)
Oversight, enforcement, regulations to protect fish/ wildlife resources.	
Tennessee Valley Authority (TVA)	1.5 M
Management and research of fish/wildlife resources on TVA lands and waters.	
Soil Conservation Service (SCS)	(Unidentified)
Management through technical assistance and partial funding of projects beneficial to fish/wildlife on private lands.	
Corps of Engineers (COE)	(Unavailable)
Management of fish/wildlife resources through project design, mitigation, and public use on COE water control projects	
Forest Service (FS)	39 M
Management and research of fish/wildlife resources on U.S. forests.	
Fish and Wildlife Service (FWS)	476 M
Conservation, protection, and enhancement of fish/wildlife resources and their habitats.	
Environmental Protection Agency (EPA)	216 M
Applied research on effects of environmental contaminants on fish/wildlife resources and regulation of contaminants.	
National Marine Fisheries Service (NMFS)	130 M
Management of and research on marine fish/wildlife resources.	

Question: Does the U.S. Fish and Wildlife Service provide an overall management and coordination role for these other Federal agencies' efforts? If not, why not?

Answer: The Service does not serve in an overall coordination role in Federal fish and wildlife efforts because it does not have

the legislative authorization (mandate) to do so. However, through a number of legislative authorities, it works closely with other Federal agencies in fish and wildlife resource related activities. It is generally recognized as the Federal agency with the primary scientific expertise in the management of wildlife and freshwater fish resources and plays a leadership role in this area.

SUBCOMMITTEE RECESS

Senator McCLURE. We very much appreciate your testimony today, and look forward to working with you on some of the problems we've touched on.

The subcommittee will stand in recess until 2 p.m. on Wednesday, April 20, when we will review the budget request of the Department of Energy, Fossil Energy Research and Development.

Thank you.

[Whereupon, at 10:18 a.m., Tuesday, April 19, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 20.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, APRIL 20, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:10 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Huddleston, Burdick, and Stennis.

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

STATEMENT OF JAN W. MARES, ASSISTANT SECRETARY FOR FOSSIL ENERGY

ACCOMPANIED BY:

DONALD L. BAUER, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR FOSSIL ENERGY

J. E. WALSH, DEPUTY ASSISTANT SECRETARY FOR MANAGEMENT, PLANNING, AND TECHNICAL COORDINATION

BUDGET REQUEST

Senator MCCLURE. Good afternoon. The committee will come to order. This is the time scheduled to review the fiscal year 1984 budget request of the Department of Energy's fossil energy research and development program.

For fiscal year 1984, fossil energy is requesting an appropriated program level of $138 million, a decrease of $173,350,000 from the fiscal year 1983 appropriated program level. The committee has also been notified of five fiscal year 1983 fossil energy deferrals totaling $8,750,000, which will soon be forwarded to Congress by the President.

Testifying on behalf of the Department this afternoon is Mr. Jan W. Mares, Assistant Secretary for Fossil Energy. We welcome you this afternoon, and if you would introduce those of your staff who are with you at the table, we will then place your statement in full in the record and proceed directly with the questions.

Mr. MARES. Thank you, Mr. Chairman. I am joined by Mr. Donald Bauer, on my right, who is the Principal Deputy Assistant Secretary in

the Office of Fossil Energy, and upon my left, by Mr. Jerry Walsh, who is the Deputy Assistant Secretary for Managment.

PREPARED STATEMENT

I will be happy to answer any questions you might have.
[The statement follows:]

STATEMENT OF JAN W. MARES

The Fiscal Year 1984 Fossil Energy budget request continues the transition begun in 1982 from a technology program that emphasized large, process-specific pilot and demonstration facilities to one that is now concentrated on more generic basic and applied research.

The Nation is fortunate to have abundant fossil energy resources. Our deposits of coal, petroleum, oil shale, tar sands, and natural gas exceed the known fossil energy resources of any other nation. Still, diverse and extensive advances are needed in our scientific and engineering knowledge base to use these resources effectively. Much of the needed process development and commercialization of new technologies will come from the industrial sector in response to market incentives. To support these private initiatives, we continue to view the creation of a fundamentally sound knowledge base as an appropriate and important role for the Federal Government.

The FY 1984 budget request of $138 million for Fossil Energy research and development represents the Administration's effort to fashion a sound, core program that will continue to produce the technological information the Nation will need in order to develop and deploy advanced energy options. Still, it is a request that has been developed within the framework of the serious budget deficit problems that confront us as a Nation.

The Economic Context of the FY 1984 Budget Request

The energy-related R&D portions of the Department of Energy budget, and thus the Fossil Energy component, are part of the Federal government's non-defense discretionary programs. The President has emphasized the need for a freeze on the aggregate of these programs in FY 1984 relative to the 1983 appropriations. This is an integral part of the goal to reduce the structural deficit, and it is reflected in the overall Administration budget proposals. Within the aggregate of non-defense discretionary programs, however, there are obviously some increases and decreases.

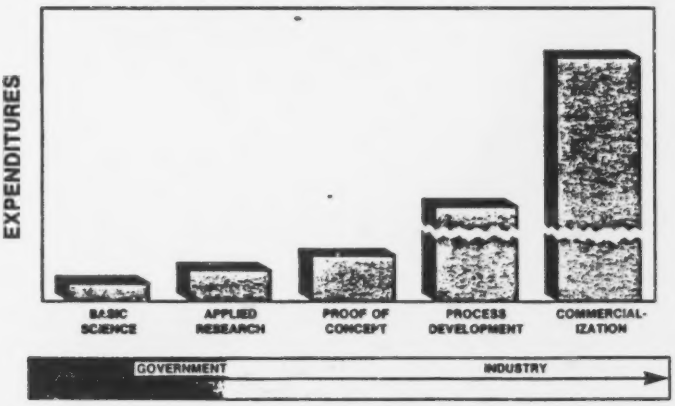
In developing the FY 1984 budget, the Administration, the Department of Energy, and the Office of Fossil Energy have evaluated many requests and potential uses for government funds that are neither possible nor appropriate within the context of the President's economic and energy programs. In selecting the research projects included in our budget, we have focused on those elements that attract little or no private funding. The risks, costs, or payoffs are either too long-range or uncertain, or the benefits are not specific to the private funder.

The FY 1984 budget request for Fossil Energy R&D represents a 29 percent increase over the Administration's request in FY 1983. While this is admittedly much less than the $311 million appropriated in FY 1983, it reflects an effort to work with the Congress in developing the most appropriate mix of programs. We have made some very hard decisions in order to achieve our overriding goal of reducing the deficit and improving the economy. Nonetheless, within the context of a very fiscally constrained year, we believe we are presenting to the Nation a rational, balanced and adequate Federal budget for Fossil Energy research.

The FY 1984 Fossil Energy Strategy and Priorities

If the U.S. is to continue to maintain its technological leadership in energy, systematic advances must occur in all stages of the research, development and commercialization cycle -- from basic science to applied research, proof-of-concept, process development, and finally to commercialization. These steps are shown graphically in the following chart:

TECHNOLOGY DEVELOPMENT PATH



The latter stages of this development path are the most costly, and this is where extensive private sector investments have occurred in the past and will continue to be required in the future.

The earlier stages, through proof-of-concept, feed the private sector R&D investment pipeline. While the projects in these earlier stages may have a very high benefit/cost ratio from a national perspective, private sector investment is often limited or nonexistent. The ultimate benefits of these early stages of research may be quite large, yet they are frequently difficult to predict, highly risky, or long-term, or cannot be captured by private firms. Thus, there is a valid Federal role to provide front-end R&D support in a diversified spectrum of fossil fuel technologies.

The Department of Energy's FY 1984 budget, therefore, is oriented principally toward the applied research portion of the technology development path, with some effort also in the basic science and the "proof-of-concept" stages. Because the Federal role is focused on these more generic aspects of R&D, private industry is thus able to select those technologies warranting scale-up with its own funds without governmental bias or interference.

Fossil Energy Priorities

Recognizing the prospects of a continued domestic reliance on liquid fuels, the Fossil Energy strategy gives high priority to establishing data bases that will enable industry to develop new sources of liquid fuel supplies and petroleum substitutes with acceptable environmental impacts. This priority includes:

- o advanced technologies for recovering oil from large, currently unrecoverable petroleum resources;
- o advanced concepts for producing oil from shale and tar sands, and from coal via direct and indirect liquefaction;
- o those aspects of coal gasification which are critical to advanced liquefaction processes;
- o advanced technologies (including aspects of combustion, control technology, heat engines, and fuel cells) that substitute coal for oil in utility and industrial applications where conventional coal-fired technology is now precluded.

More than 60 percent of the $138 million requested for Fossil Energy R&D relates specifically to the "liquids" and "liquids displacement" priorities.

The Fossil Energy strategy recognizes several other high priority areas. Gaseous fuels can substitute for liquid fuels in many applications. Unconventional gas resources can provide this Nation an abundance of new gaseous fuel supplies if today's scientific and engineering knowledge can be expanded for associated extraction technologies.

Another high priority deals with establishing the scientific and engineering foundations for the use of coal and other abundant fossil energy resources through improved technologies. Inherent in the technologies being pursued in this priority is the potential for large payoffs in improved economic and environmental performance, increased efficiency, and greater flexibility of coal use. This priority includes aspects of control technology, combustion systems, and fuel cells. Also within the Fossil Energy priorities are generic and crosscutting research that can contribute to economically efficient energy production in the future.

All of the R&D conducted within the Fossil Energy program is coupled with appropriate environmental research. Specifically, we are working to establish data bases that will help industry mitigate and resolve problems rather than merely expand the range of questions and concerns. Potential impacts are characterized within our program, and the performance of new and developmental systems for controlling these impacts are evaluated. In this way, cost beneficial solutions to environmental concerns will be available on a schedule consistent with the progress of technology development.

The FY 1984 Fossil Energy Budget Request

The FY 1984 Fossil Energy budget request is made up of three major components:

	FY 1984 Budget Authority
Coal	$ 109.45 million
Petroleum	23.35 million
Gas	5.20 million
Total	$ 138.00 million

Within the $138 million request, the Administration is requesting $94 million of new budget authority. The remaining $44 million is available from prior year budgets, as shown below, and would be applied to the 1984 program.

Appropriation Transfer from Alternate Fuels Production Program (P.L. 96-126)	$ 13 million
Prior Year Offset	$ 31 million

The $13 million is derived from unexpended funds from the Alternative Fuel feasibility studies and cooperative agreements program authorized by Congress in 1979. A total of $31 million remains unobligated from Fossil Energy R&D budgets prior to FY 1983, including funds from the gasification demonstration plant projects (construction and operating expenses), the Solvent-Refined-Coal II demonstration project (construction and operating funds), the Pittsburgh Energy Technology Center Program Support building (construction funds), and the Program Direction (Headquarters) budget.

As the Committee is aware, P.L. 97-257 transferred the coal mining research and development program to the Bureau of Mines in the Department of Interior; therefore no funds are requested in the FY 1984 Fossil Energy R&D budget for Mining R&D.

The major budget categories of the FY 1984 request are described as follows:

COAL

COAL LIQUEFACTION

(Budget Authority In Millions)

FY 1982	FY 1983	FY 1984 Request
$ 98.8	$ 37.6	$ 17.0

The goal of the Coal Liquefaction program is to contribute to a data base that will facilitate the private sector's development of improved coal conversion processes. Products obtained from coal liquefaction can replace petroleum products as boiler fuel for utilities or can be refined to transportation fuel, furnace oils, and chemical feedstocks. Coal is, by far, the largest domestic fossil energy resource available to the U.S., and it is anticipated to be utilized eventually as a feedstock to increase the supply of liquid fuels.

An industry based on indirect liquefaction -- where coal is first gasified, then converted into liquid products -- could be initiated using commercially demonstrated process steps based, in large degree, on foreign technology. At the present state of development, however, indirect liquefaction processs are high cost and have relatively low thermal efficiencies. These processes could be improved if advanced, more efficient gasifiers, many of which are now becoming commercially available, are employed. These gasifiers, however, produce a syngas with a relatively low hydrogen content. Therefore, the DOE indirect liquefaction program is developing improved syngas conversion processes that are capable of functioning effectively using low-hydrogen content syngas.

Direct liquefaction promises lower costs and improved thermal efficiencies. The technical viability of a limited number of direct liquefaction processes has been demonstrated (Exxon Donor Solvent, H-Coal, Solvent-Refined-Coal) but commercial application has not yet occurred. New advances in catalysts and in the multi-stage direct liquefaction approach may improve the future commercial prospects of this technology.

FY 1984 Budget ($ in millions)

- Indirect Liquefaction .....$ 4.0
  - — Complete funding of fluid bed methanol-to-gasoline project with the Federal Republic of Germany.
  - — Continue bench scale research into new catalyst systems and process concepts.
- Advanced Process Development .....$ 9.0 (direct liquefaction)
  - — Continue bench scale R&D in catalyst development and improved process concepts.
  - — Continue bench scale R&D in integrated two-stage liquefaction (ITSL).
- Support Studies/Engineering Evaluations .....$ 4.0
  - — Continue engineering evaluations and component research.
  - — Continue health effects and data base management activities.

SURFACE COAL GASIFICATION

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$54.2	$39.0	$16.9

By means of gasification, coal can be used for the economic production of gases having heating values that range from low/medium-Btu gas for industrial and electric utility uses to high-Btu gas of pipeline quality that can be used to supplement supplies of natural gas. Gasification technology can also be used to produce a synthesis gas suitable for subsequent conversion into a variety of liquid fuels or for use as a feedstock for the manufacture of chemicals. This flexibility in the conversion of coal into alternate forms of clean energy is being acquired through the development of advanced gasifiers and gasification processes that have the capability to utilize a wide range of U.S. coals having widely differing physical properties and chemical compositions that characterize these heterogeneous feedstocks.

In FY 1983, the major gasification process development units and pilot plant projects will be completed, including the BiGas concept for converting coal into a substitute natural gas and the agglomerating pressurized fluidized bed gasifier technology for the production of low and medium-Btu gas. Therefore, the proposed FY 1984 budget would continue to redirect the program from the development of specific gasifier concepts to the investigation of more generic gasification systems.

Emphasis will be placed on improving the understanding of the entrained and fluidized bed gasification concepts, using small units at the Morgantown Energy Technology Center and cold flow models. Work will also continue on increasing today's knowledge base for advanced carbonization-type reactors operating on a variety of coals over a broad range of operating conditions. Studies of the characteristic effluents from certain gasifiers will be conducted, and advanced cleanup components and systems as well as a novel dirty gas heat exchanger concept will be evaluated. Research will also be done to improve the materials and designs of critical components in coal gasification systems, such as heat exchangers, expanders, compressors, and valves.

The FY 1984 budget would also provide sufficient funds to continue monitoring the Great Plains coal gasification project in North Dakota, construction of which is nearly 40 percent complete and progressing toward a planned December 1984 target date for full gas production.

FY 1984 Budget ($ in millions)

- o Advanced Process Development ..... $ 4.0
  - Continue tests on small entrained-bed and fluidized-bed reactor systems to understand parameters that must be controlled to successfully operate advanced gasifiers.
  - Conduct basic experiments on advanced waste water treatment processes.

- o Systems Engineering Concepts ..... $ 6.9
  - Continue support of key gasifier data base studies essential to technology transfer and advancing state-of-the-art.
  - Continue efforts to resolve state-of-the-art instrument and equipment problems and to increase gasifier systems reliability.

- o Environmental and Engineering Analyses ..... $ 3.0
  - Continue only high priority projects having potential to provide solutions to problems identified as being technology limiting.
  - Continue efforts to determine the capabilities and limitations of cleanup systems and the environmental impact of zero waste discharge requirements.

o Great Plains Project ..... $ 3.0
  - Continue project monitoring and management activities.

UNDERGROUND COAL GASIFICATION

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$8.3	$6.0	$2.0

Underground Coal Gasification (UCG) is an unconventional method to produce fuels by gasifying seams of coal "in situ" without mining. Underground coal gasification can convert solid coal underground to more easily recovered gaseous products that can either be directly utilized or converted to a suite of hydrocarbon products. Successful adoption of these processes could quadruple U.S. coal reserves while providing fuels at potentially lower costs and with less adverse environmental impacts than other synthetic fuels options. The expected final products using gas generated by this technology could be transportation fuels (primarily methanol and gasoline), electric power, industrial heating, synthetic natural gas, chemical feedstocks, and in site specific cases, CO_2 for enhanced oil recovery and hydrogen for refinery use or shale oil upgrading.

The FY 1984 budget would continue the development of a promising new concept in underground coal gasification, the Controlled Retracting Injection Point (CRIP) process. The basic concept of the CRIP system is to keep the burn zone growing in the upstream direction by cutting off or perforating the air or oxygen/steam injection pipe at successive new locations at the base of the coal. There is strong evidence that maintaining the injection point at a low position in the coal seam is essential for obtaining good gas quality and high resource recovery.

FY 1984 Budget ($ in millions)

o Environmental and Advanced Research ..... $ 2.0
  - Continue post burn environmental research and monitoring.
  - Complete cost shared proof-of-concept test of Controlled Retracting Injection Point (CRIP) concept.

ADVANCED RESEARCH AND TECHNOLOGY DEVELOPMENT

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$56.3	$36.0	$30.5

The Advanced Research and Technology Development (AR&TD) activity plays an important role in the Department's Fossil Energy program through development of the technology base in coal. Basic, applied, and exploratory high risk, potentially high payoff research at the Energy Technology Centers and National Laboratories, universities and industrial laboratories helps extend the fundamental scientific and engineering knowledge base providing ideas for new processes and technical breakthroughs in coal conversion and utilization.

FY 1984 Budget ($ in Millions)

o Direct Utilization ..... $ 4.8
  - Continue coal combustion research.
  - Continue generic research in coal cleaning and control technology.
  - Continue research related to improving combustion processes for fluidized-bed technology.

o Materials and Components ..... $ 6.5
- Continue research in the areas of high temperature corrosion, slag refractory interactions, structural ceramics, hydrogen effects, and erosion wear.
- Continue research into novel heat exchanger concepts.
- Continue research on novel, advanced "dirty gas" valve concepts such as power fluidics, and multiple orifices.
- Continue efforts on slurry pumps and critical subsystems such as check valves, seals, and materials for stuffing boxes.

o Processes $7.0
- Continue research, principally at ETC's, on low rank coal liquefaction, development of analytical techniques and reaction chemistry.
- Conduct research on advanced liquefaction concepts.
- Continue research on catalysis and kinetics, structure and reactivity of coal, properties of coal, properties of coal liquids, and liquefaction of synthesis gas.
- Continue research on coal conversion fundamentals to generate data needed to advance the state-of-the-art of gasification to the next generation of development.
- Continue research along a broad technical front involving kinetics, thermodynamics, catalytic mechanisms, modeling, hydrogasification, pyrolysis, fluidization studies, acid gas removal, hot gas cleanup, gas separation, conversion studies and novel concepts of gas generation by reaction of coal with steam, air and oxygen.
- Continue basic studies on the relationships of coal and components and coal behavior during gasification.

o Program Development and Coordination ..... $ 1.7
- Perform crosscutting support for policy development, R&D assessment and environmental, safety and health compliance overview for Fossil Energy. ($1.0)
- Continue overall planning and policy development for Fossil Energy. ($0.7)

o University Coal Research ..... $ 4.0
- Initiate or renew approximately 25 university projects directed at improving the fundamental scientific and technical understanding of the chemical and physical processes involved in the conversion and utilization of coal.

o Construction ..... $ 5.0
- General Plant projects. ($2.0)
- Wastewater treatment facility, METC. ($2.0)
- Surface water containment facility, PETC. ($1.0)

o Capital Equipment ..... $ 1.5
- Provides for necessary capital equipment at ETC's and National Laboratories.

CONTROL TECHNOLOGY AND COAL PREPARATION

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984
$ 25.2	$ 27.9	$ 17.1

The purpose of the Control Technology and Coal Preparation program is to help private industry develop advanced technologies necessary to maximize environmental quality and minimize the cost of energy used by coal-fired utilities and industry. Current efforts concentrate on coal preparation, flue gas cleanup, and gas stream cleanup.

The current program is an outgrowth of research begun in FY 1979 to develop new, advanced concepts for environmental control technology, specifically in flue gas and gas stream cleaning. In FY 1983, the coal preparation R&D work was transferred from the mining program. This permitted a comprehensive program to be developed in Control Technology Systems that includes all aspects of cleanup R&D, from precombustion (coal preparation) to in-process (gas stream cleanup) through post-combustion (flue gas cleaning and waste management).

The objective of the coal preparation activity is to develop technologies which can remove sufficient quantities of ash and sulfur from coal so that coal can be substituted for oil and natural gas in many applications. In FY 1983, laboratory research will be completed on two advanced concepts -- fused salt desulfurization and microwave processing. Both have the potential for reducing the sulfur and ash in coal to levels comparable to fuel oil. Laboratory evaluations of the high gradient magnetic separation process will also be completed. This technique is effective in removing inorganic sulfur (occuring as pyrite) and ash from finely-ground coal. Testing of the two-stage froth flotation technology to extract minerals and pyrites from coal will also be concluded in FY 1983.

With these activities concluding in FY 1983, the FY 1984 coal preparation program will focus on evaluating the critical engineering design and performance issues in the areas of: physical cleaning of fine coal; comminution (size reduction) and fine coal dewatering and consolidation; chemical cleaning; and dewatering and beneficiation of low rank coals and lignites.

Flue gas cleanup activities were significantly reoriented in FY 1983 to concentrate on technologies that remove nitrogen oxides (NO_x), sulfur oxides (SO_x), and in some cases, particulates, simultaneously rather than in multiple cleanup steps. A "proof-of-concept" unit for the E-beam (electron beam)/lime flue gas cleanup concept will be completed in FY 1983, and testing will begin. Construction of a "proof of concept" unit for a similar concept, which would substitute ammonia for the lime in an E-Beam system, will begin in FY 1983, with testing scheduled for 1984. Studies were begun in FY 1983 on several innovative concepts for simultaneous NO_x/SO_x removal systems, and in FY 1984, one of these concepts will be evaluated at bench scale.

In the gas stream cleanup program, proof-of-concept testing will be completed in FY 1983 on an electrostatic precipitator specially designed for controlling particulates from a pressurized fluidized bed combustor, and bench scale evaluations will begin of selected advanced particulate control systems. Evaluations of a zinc ferrite desulfurization process capable of operating in the temperature range of a fluid-bed coal gasifier will be conducted in FY 1983, and in FY 1984, the process will be linked with a gasifier for testing.

Funding for sampling and characterizing coal derived wastes will be completed in FY 1983, with some contractual efforts concluding in FY 1984. Using the information from previous activities, a waste characterization data base and Resource Conservation and Recovery Act impact assessment will be compiled in FY 1984.

FY 1984 BUDGET (BA in millions)

- o Coal Preparation.....$ 5.0
  - Define basic technological design and operating requirements for cleaning U.S. coals to quality levels comparable with oil.
  - Evaluate critical engineering design and performance issues in fine coal cleaning and conditioning, chemical cleaning, and low rank coal beneficiation.

- o Flue Gas Cleanup.....$ 7.6
  - Complete testing of the electron beam/ammonia PDU
  - Continue the development of combined NO_x/SO_x flue gas cleanup concepts.
  - Initiate systems integration studies to combine NO_x/SO_x/ particulate capture in one process.

- o Gas Stream Cleanup.....$ 4.5
  - Continue lab scale R&D effort on particulate and alkali removal concepts.
  - Complete preliminary economic/performance analysis for selected pressurized fluidized bed combustion cleanup devices.
  - Test the zinc ferrite desulfurization process on one gasifier.

HEAT ENGINES

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$15.4	$ 5.0	$ 1.0

The Heat Engines program is directed toward establishing a firm technology base which could enable the private sector to assess technical data and ultimately, the commercial viability of coal-fired power conversion systems. Current efforts are focused on high risk research on the use of coal-liquid slurry mixtures and coal-derived gaseous fuels in such heat engines as gas turbines and diesel engines.

FY 1984 Budget ($ in millions)

- o Heat Engines ..... $ 1.0
  - The technology base efforts initiated in FY 1982-1983 period will be completed and a final report including detailed analyses of the data will be prepared and distributed to interested Federal agencies and private sector concerns.

COMBUSTION SYSTEMS

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$30.5	$24.2	$ 8.4

The objective of the Combustion Systems activity is to conduct generic technology base development with potential for high payoff related to advanced coal and coal-derived fuel combustion concepts. These research efforts are intended to establish the technology base from which industry can develop, demonstrate and commercialize improved systems which can allow for the expanded utilization of coal in an environmentally acceptable manner; particularly, as a replacement for oil and/or natural gas in utility, industrial, residential/commercial and transportation applications. The programs involve generic research on atmospheric and pressurized fluidized bed combustion and alternate fuel mixtures.

In FY 1983, work was completed in the operational phase of the atmospheric fluidized bed (AFB) industrial-scale projects at Georgetown University in Washington, D.C., at Shamokin, Penn., and at the Great Lakes Naval Training Center near Chicago. Construction was begun on two AFB boilers, in East Stroudsburg and Wilkes-Barre, Penn. Also, the initial evaluation of seven advanced atmospheric fluidized bed concepts was completed. The final Federal funding shares for the construction of the pressurized fluidized bed pilot plant at Wood-Ridge, New Jersey, and the operation of the IEA project in

Grimethorpe, England, were provided. Operation continued at the New York University, Long Term Materials, and CURL PFB test facilities. Testing also continued to characterize coal-water slurry and other coal-liquids mixture technologies.

FY 1984 BUDGET ($ in Millions)

o Atmospheric Fluidized Bed Combustion ..... $ 1.0
  - Conduct bench-scale testing of the most promising of the previously identified advanced AFB concepts.

o Pressurized Fluidized Bed Combustion ..... $ 3.4
  - Evaluate a wide range of alternate coal feedstocks, i.e., coal-water, lignite, large (run-of-mine) coal.
  - Continue the long-term materials program.

o Alternative Fuel Utilization ..... $ 4.0
  - Continue coal-water mixtures characterization efforts initiated in FY 1982.
  - Continue efforts in other coal-liquid mixtures technology areas (peat-coal-ethanol/methanol, etc.) to expand potential application into new-use areas. Specific attention to fuel particle size and distribution phenomena.

FUEL CELLS

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$34.5	$30.1	$ 9.5

The objective of the Fuel Cell activity is to establish technical feasibility of fuel cell power plants for electric utility applications, industrial cogeneration, and for on-site total energy systems. The fuel cell system is a revolutionary hydrocarbon fuel conversion technology to increase the cost effective, efficient and environmentally acceptable use of conventional and alternative hydrocarbon fuels, thereby reducing demand for oil.

The Fuel Cell program is developing technology for phosphoric acid, molten carbonate and solid oxide fuel cells. The program is part of an overall mission-oriented effort in which the private sector is responsible for demonstration and commercialization activities, the bulk of the engineering activities and part of the technology base development, with the government funding some generic technology base development of the cell and stack technology components.

Research in the area of thermionics will be completed in FY 1983.

FY 1984 BUDGET ($ in Millions)

o Advanced Concepts ..... $ 1.5
  - Research efforts on solid oxide fuel cells will be focused on continuing selected technology base efforts, including the completion of the first integrated system design.

o Molten Carbonate Systems Development ..... $ 5.0
  - Fabrication and test of full area cells.
  - Test cells with advanced integrated components.
  - Complete 10,000 hour test of commercial cell type

o Phosphoric Acid Systems Development ..... $ 3.0
  - Continue electric utility R&D subscale stack tests.

MAGNETOHYDRODYNAMICS

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$21.8	$29.0	$ 0

The Department began significant Magnetohydrodynamics (MHD) development programs in 1974. MHD is a long-range energy conversion technology with the potential of converting coal to electricity with high overall efficiency (in the 48-55 percent range, in mature systems, compared to about 35 percent for conventional coal fired systems), low cost of electricity, and low environmental intrusion with direct coal firing.

The FY 1983 program focused on the continued development of coal-fired MHD technology with emphasis on power train testing at the Component Development and Integration Facility (CDIF), at Butte, Montana, and the Heat Recovery Seed Recovery (HRSR) trains at the Coal Fired Flow Facility (CFFF), at Tullahoma, Tennessee. The objective has been to establish the critical technology base for subsequent industrial commercialization of MHD systems by the private sector.

The Department proposes to phase out the MHD program beginning in FY 1983 and to close out facilities and bring other ongoing efforts to an orderly conclusion. Although MHD is one of several advanced fossil energy technologies that could potentially increase power plant efficiencies and improve the environmental performance of coal-fired power plants, it has high risks and much higher costs relative to other advanced electricity generating technologies under development. The MHD program will entail future development costs as high as $250 million for continued technology base research and up to $300 million for a multimegawatt proof-of-concept facility while offering potential benefits similar to these other coal-based options. In light of this, no funds have been requested in FY 1984 for continuing the development of MHD technology.

The Department will notify Congress prior to initiating these proposed close-out activities.

PETROLEUM

ENHANCED OIL RECOVERY

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$16.2	$ 6.5	$11.25

The goal of the Enhanced Oil Recovery (EOR) program is to conduct generic technology base R&D activities and to assist industry in obtaining a better understanding of the mechanisms and behavior of advanced and novel EOR processes for heavy oil, light oil, and tar sands.

In FY 1983, the final report was completed on the long-term test of the downhole steam generator, a concept now being developed for commercial application by several private firms. In a related area, evaluations of a concept for insulating the well string to permit deeper injection of steam for heavy oil recovery were completed. Monitoring of the on-going cost-shared and Economic Regulatory Administration incentive test projects continued, as did several university research programs attempting to improve the basic understanding of light and heavy oil recovery processes. Several field experiments of steam with foam and one involving miscible gas flooding were completed. An in-depth analysis and tabulation of candidate U.S. reservoirs for miscible gas and chemical flooding was also completed and made available for public use.

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The FY 1984 budget request of $11.25 million for enhanced oil recovery represents an increase over the $6.5 million appropriated by the Congress in FY 1983. The increase would be principally applied to expanding fundamental research in flow properties, combustion kinetics, steam mobility control, steam additives and thermal mapping for heavy oil recovery, and increasing the research program in rock/fluid interactions, mobility control, chemical stability, predictive models, data base development and technology transfer for light oil recovery. A smaller increase would also be used to increase experimental work for in-situ recovery of oil from tar sands using a block test apparatus and for defining process parameters for steam flooding and in-situ combustion in tar sand reservoirs.

FY 1984 Budget ($ in millions)

o Heavy Oil ..... $ 3.7

- Initiate studies on the effect of noncondensable gases with steam relative to improved oil recovery.
- Perform post-flood analyses of City of Long Beach and Aminoil's caustic floods.
- Begin experiments on unconsolidated formations to verify theory and model for horizontal holes (heavy oil mining R&D).
- Analyze results of controlled source and high frequency electromagnetic tracking results for an in situ combustion and/or steam recovery project.
- Complete the mathematical model for fuel deposition and related parameters of the in situ combustion process.
- Complete studies on the effect of pressure temperature on reservoir parameters.
- Complete survey and analysis of potential techniques for determining steam quality and initiate development of test equipment of selected techniques.
- Begin combustion tube tests to determine effects of using oxygen injection as an alternative to air on the kinetics of the in situ combustion process and model the results.
- Continue international research activities.

o Light Oil ..... $ 6.6

- Continue chemical and miscible gas flooding R&D consisting of fundamental research on displacement mechanisms and advanced recovery processes; EOR data base analysis related to FE and ERA-incentive tests.
- Expand research on rock-fluid interactions in chemical flooding; miscible gas plus additives development; EOR data base extension and post-test analyses.

o Tar Sands ..... $ 1.0

- Continue R&D efforts into displacement mechanisms, forward and reverse in situ combustion methods, hot fluid injection such as cyclic steaming and steam flooding, tar sand mining, recovery through underground mining and drilling techniques, environmental research for both air and water quality, and alternate extraction technologies.
- Continue technology exchange agreements with Venezuela and Canada.

ADVANCED PROCESS TECHNOLOGY

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$4.0	$5.0	$2.9

The goal of the Advanced Process Technology (APT) program is to pursue the identification and development of advanced extraction, processing,

and utilization concepts and technology related to oil, gas, tar sands, shale oil and unconventional hydrocarbons.

Within this program are efforts to assist industry in developing novel and innovative technology, such as microbial enhanced oil recovery, to increase the efficiency of extracting usable fuels from oil, gas and shale resources. New, improved analytical methodolgy and the instruments necessary to determine the chemical and physical properties and the composition of liquid fossil fuels are also expected to emerge from the generic research conducted under this budget item. Also included is the fundamental research necessary to identify, isolate, and remove toxic products from heavy crude, shale oil, and tar sand bitumen.

In FY 1983, a new initiative was undertaken in this program dealing with high-risk research related to Arctic and offshore environments. Specific activities were begun to study such areas as seafloor engineering and sea-ice dynamics.

Within this activity is also the coordination and planning of advanced petroleum- and gas-related research, including the Office of Fossil Energy's involvement in international activities.

FY 1984 Budget ($ in Millions)

- o Advanced Exploratory Research ..... $ 2.2
  - Continue basic research into separation techniques development, crude oil analyses, instrumentation and technique development, and storage/handling fuel stability studies regarding petroleum products and resources.
  - Perform basic characterization research on Cerro Negro heavy crudes under a cooperative agreement with Venezuela.

- o Arctic and Offshore Research ..... $ 0.7
  - Continue monitoring and coordinating role for energy-related Government Arctic research activities.
  - Standardize the collection, correlation and analysis of data to establish a uniform data base of Arctic and offshore information.

OIL SHALE

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$19.2	$12.3	$ 8.6

The Oil Shale program is designed to develop a sound technology base in oil shale chemistry and engineering which will assist industry in the development of oil shale technology.

The U.S. oil shale resource is estimated to be about two trillion barrels of oil equivalent with the richest deposits found in the states of Colorado, Utah, and Wyoming. Substantial lower quality resources also occur in the East. Oil shale technology is now in the process of moving from the laboratory and pilot plant stage to the first commercial attempts. The first plants can comply with current environmental standards using available technology; however, over a period of time, it may be necessary to mitigate environmental pollution because of regional impacts. Water quality may also prove to be a constraint on the expansion of a western oil shale industry.

In view of these potential limitations on the future contribution of oil shale to the Nation's energy mix, the Federal program was reoriented in FY 1982 and FY 1983 away from major project activities and toward the completion of data analysis and generic research from which a new generation of more efficient and environmentally acceptable oil shale processes might emerge. The FY 1984 program would continue, although at a reduced scope,

basic research begun in FY 1983 on the chemistry and physics of oil shale processes and the study of the environmental implications of various oil shale conversion mechanisms.

FY 1984 Budget (BA in millions)

o Oil Shale Technology Base ..... $ 4.3
  - Continue laboratory research on chemistry and kinetics of shale conversion.
  - Continue evaluation of explosive fracture tests to provide guidance for new laboratory experiments.
  - Materials transport research, completion of evaluation of fracture test series, new laboratory research in support of fracture modeling and diagnostics, tests of hypotheses for new concepts.
  - Complete innovative concept studies regarding Eastern shales.

o Environmental Mitigation ..... $ 4.3
  - Continue laboratory research on chemistry and cleanup of water and air pollutants from retorting and maintain compliance activities.
  - Effects of process parameters on pollutant emissions, evaluation of data, and implementation of control technology tests at field sites.
  - Develop data to assist industry to mitigate problems regarding air emission control procedures, water management systems, and solid waste management strategies. Transfer retort abandonment models completed in FY 1983 to industry.

GAS

UNCONVENTIONAL GAS RECOVERY

(Budget Authority in Millions)

FY 1982	FY 1983	FY 1984 Request
$ 8.7	$13.9	$ 5.0

Natural gas currently supplies about 25 percent of the total energy consumed in the United States. For almost ten years, the annual addition of gas reserves from new discoveries has been less than the withdrawals from existing, proven reserves, although since the late 1970's the difference between withdrawals and additions has been steadily decreasing. This change is a result of increased exploration activity resulting from partial price decontrol. This trend has shown that considerable conventional shallow and deep gas may be available for immediate use, and that gas resulting from successful research on unconventional resources, combined with this conventional gas, represents a secure domestic supply that could meet the Nation's needs into the next century.

The Unconventional Gas Recovery program has the goal of assisting the private sector in developing cost-effective diagnostic and extraction technologies required to produce gas efficiently and economically from gas resources currently unrecoverable with state-of-the-art technology. Unconventional sources of gas typically include the eastern Devonian gas shales, western gas sands, methane from coalbeds, geopressured gas, methane hydrates, and abiogenic gas.

FY 1984 Budget ($ in Millions)

o Eastern Gas Shales ..... $ 1.0
  - Continue integration of all shale data into the Eastern Gas Shales projects data base.

- Western Tight Gas Sands ..... $ 3.0
  - Continue multi-well experiment and supporting research including field testing and data analysis.

- Environmental and Advanced Research ..... $ 1.0
  - Characterization of gas resource potential of methane hydrates and deep source (abiogenic) gas, as well as data analysis of environmental assessments.

PROGRAM DIRECTION

(Budget Authority in Millions)

	FY 1982	FY 1983	FY 1984 Request
Headquarters Program Direction	$13.8	$ 9.0	$ 7.9
ETC Program Direction	$ —	$30.0	TBD

The Headquarters staff is responsible for the overall direction of the Fossil Energy program. Activities include planning, budgeting, policy formulation and implementation, and program management, monitoring and evaluation.

The Energy Technology Center's staffs are responsible for executing day-to-day project management functions for assigned programmatic areas. Activities include contract monitoring, performance of technical evaluations, development of project and procurement plans, dissemination of technical data, and other activities related to program and site support.

By May 1, 1983, we expect the agreements to transfer the Laramie and Grand Forks Energy Technology Centers to the University of Wyoming and the University of North Dakota, respectively, to become effective. All real and personal property will be transferred to the universities within 60 days after the effective date of the agreements. The Department has negotiated with each university a provision that they will employ the bulk of the Federal employees so as to maintain the integrity of the Federally-funded research program at each site.

The Department is currently evaluating proposals received in response to a competitive solicitation for an operator for the Bartlesville Energy Technology Center. An agreement to transfer operating responsibility to a non-profit organization, under the guidelines of P.L. 97-394, is expected to be negotiated by early summer. The agreement will then be submitted to the Congress for a review of up to 30 days. The Bartlesville center would remain government-owned, and Federal financing of R&D would continue. The selected operator would be expected to share research costs on an increasing basis and would also be free to conduct research for sponsors other than the Department of Energy. The proposer must agree to provide current Federal employees at Bartlesville the right of first refusal to those positions for which they qualify and are needed by the operator.

The FY 1984 request submitted to the Congress on January 31, 1983, did not specify funding for the Energy Technology Center (ETC) indirect costs in the ETC Program Direction account as requested in the FY 1983 Appropriations Act. This amount is currently being identified within the $138 million budget request and will be provided to the Congress.

The FY 1984 budget request also proposes a personnel level of 560 fulltime permanent employees for the Fossil Energy headquarters and field organization. We recognize that this is considerably below the floor of 754 fulltime permanent employees currently mandated by the Congress. The President's FY 1984 budget, as part of the section dealing with General Provisions for Department of Energy activities, proposes the repeal of the statutory provisions requiring that a specified number of Federal employees be main-

tained. We believe this is necessary to ensure that sufficient flexibility is maintained within the Department to conduct an efficient and cost-effective Federal program. We ask that the Congress favorably consider the repeal of these statutory provisions.

FY 1984 Budget ($ in Millions)

- Provide funds for salaries, benefits, and travel for Fossil Energy Headquarters personnel during FY 1984 ..... $ 7.9

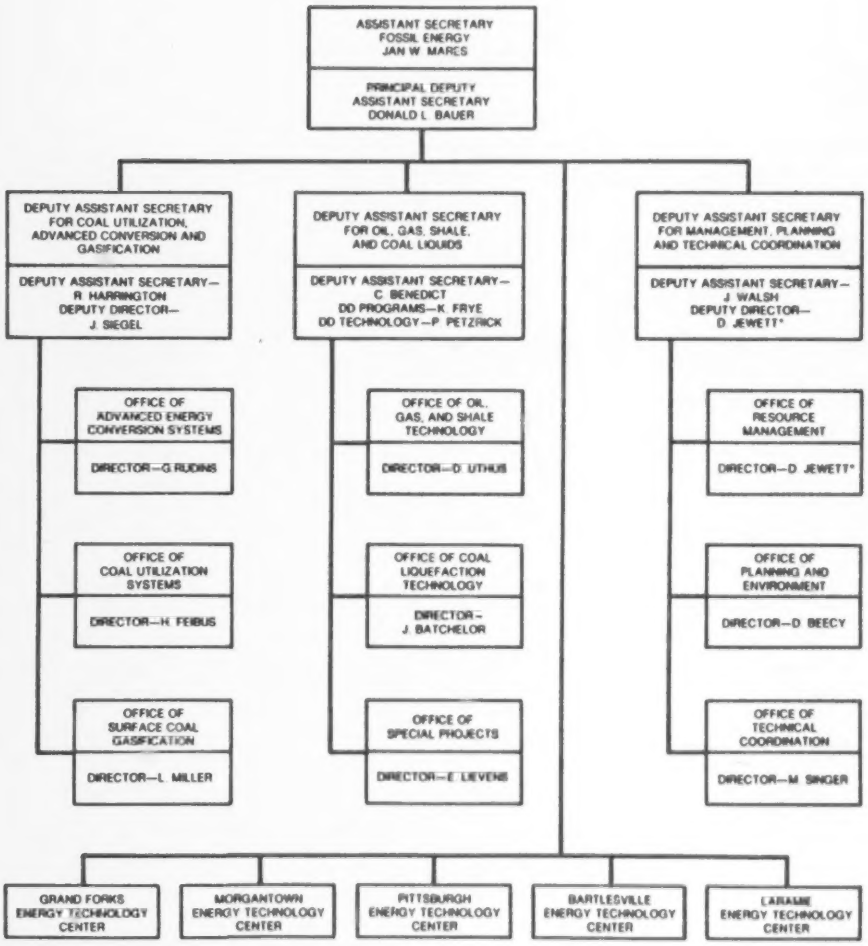
CONCLUSION

The current period of relative price moderation provides this Nation the time and opportunity to establish a sound base of technological understanding and to conduct the necessary research and development of new innovations and more cost-effective technologies that will be needed by future generations. It also provides an opportunity to develop the information needed to help mitigate environmental concerns associated with a transition to new energy systems.

The budget and the programs described will help produce the information that will be fundamental to the development of new, improved energy systems. This, we believe, is an appropriate use of public funds. By carefully focusing the Federal R&D program on the development of technologically sound data bases, rather than funding the scale-up of specific processes that may benefit only individual companies, we believe Government can play a useful role that will complement, rather than compete with, private sector initiatives.

Within the context of the budgetary constraints made necessary by the President's economic recovery program, the Fossil Energy budget proposed for FY 1984 represents a realistic approach toward fostering the technological advances needed for the future.

OFFICE /SSIL ENERGY



*DUAL POSITION

APPROVED OCTOBER 13, 1982

Senator McCLURE. Thank you very much, Mr. Secretary.

As I think staff has already told you, we are probably going to be interrupted this afternoon and, in view of the schedule, that will mean we will have to submit more of the questions for the record. I regret that necessity, but I think it is necessary today.

For the past 2 fiscal years, the Department has faced considerable opposition of its fossil energy budget proposals by the Congress, and the end result—as you are well aware—has been the approval of considerably higher appropriations than requested. During the period, we have heard arguments regarding budget constraints, industrial responsibility for more research, and the notion that research can be reduced while the Nation experiences a period of relatively high energy supplies and moderate prices.

Perhaps the most dangerous of these arguments is the latter, and I note with considerable relief a statement made on the last page of your testimony. It says—and I quote:

> The current period of relative price moderation provides this Nation the time and opportunity to establish a sound base of technological understanding and to conduct necessary research and development of new innovation and more cost-effective technologies that will be needed by future generations. It also provides an opportunity to develop the information needed to help mitigate environmental concerns associated with a transition to new energy systems.

In past years, it has been the rule, rather than the exception, that we, as a Nation, have been lulled into thinking that because energy was plentiful, we didn't have to aggressively pursue new supplies and new technologies. Mind you, nothing could be more foolish, and I am relieved to know you share this view by that statement.

It is not, however, quite as apparent to me whether or not other administration officials—perhaps particularly OMB—share this view. While you have requested a higher budget for 1984 than you did in 1983, it still, in my opinion, lacks some of the balance the administration has stated is so necessary.

As the GAO commented in its report entitled, "Analysis of the Energy Research and Development Budget Proposal Process," dated November 5, 1982—and I quote from that, "As might be expected, as the budget was reviewed at higher levels of decisionmaking, technical judgments gradually gave way to broader energy and economic policy judgments."

Although that report was based on the fiscal year 1983 budget process, I think it may be just as applicable today. My review of your 1984 budget request to the Office of Management and Budget indicates that they reduced that request by some 43 percent before it came up to the Congress. Based on this kind of evidence, how can we in the Congress come to any other conclusions with regard to OMB's budgetary influence over technology development than we have?

Mr. Mares, I know that that is a tough question for someone in your position in the administration up here to justify the administration's

position, but I would invite your comments as to that process and why we end up with a proposal that's so far below the level of the request that originated from your agency?

BUDGET ALLOCATION PROCESS

Mr. MARES. I would be pleased to answer that, Mr. Chairman. I think the process we have is a normal process that is undertaken in all resource allocation processes and all institutions in the free world. The individual charged with the responsibility for requesting resources seeks from his superior at resource allocation time a greater allocation of resources and almost invariably presents to that superior more choices of things to do than, in fact, that manager expects to be allotted. This is done because at any given moment, there is only a finite amount of resources that can be allocated. Obviously, the goal is to enhance the overall level over a period of time. This process was also applied to the development of the fossil energy budget within the Department.

In fact, I only recommended it to the Department and within the Department, each office asked for or recommended funding allocation levels for their respective programs. The Department and all departments and agencies of the Government made similar requests to the Office of Management and Budget. On behalf of the President, OMB then aggregated and analyzed them. OMB represents the first place in the budgetary process where the revenues ultimately available to be allocated are really looked at in any great detail to balance them against the demands for funds. And there, OMB, I think quite appropriately, looks at both the macro policies—the desire to enhance the strength of the Nation's defense, and the economy—and OMB then strives to balance the expenditures against the revenues, in order to achieve a reduced deficit. In so doing, I think quite properly and appropriately and, to be expected, OMB did not allocate all the funds that the various agencies requested.

And so I don't have any problem with the process that has taken place.

Senator MCCLURE. I understand the explanation, and I wish that that's all I thought was involved. And I say that recognizing the truth of what you say, that requests are traditionally higher than can be accommodated. But I do notice that after the internal revenue in DOE, you had come up with $250 million initially, and that the internal review reduced that to $238 million in the request to OMB, and OMB cut that to $138 million. Actually, I rounded it off to leave out the $865,000 they also cut.

Mr. MARES. That is correct, sir.

Senator MCCLURE. But it was a little larger adjustment than is normally the case in this process.

Mr. MARES. Well, it was less of a percentage adjustment than—at least in my normal experience, which is only 2 years—it's less than we went through in 1983. So to that extent, we are making some progress.

Senator McCLURE. I understand that. That's one of the penalties of being around here longer than that, and I have a longer memory than just the last 2 years. But I would contrast it to other submissions in the budget and other actions by OMB, the percentage cut in this—and this is larger than it was in a great many others—which reflects not just a pro rata reduction. It reflects a judgment on the part of the OMB that says this is relatively less important.

Mr. MARES. One could draw that conclusion, and I think it's not an inappropriate conclusion when one looks at all the demands within the Department, within the Nation, and tries to evaluate how these needs can be met within a finite set of resources. If these needs are not met by the Federal Government, then one needs to consider whether there are other institutions that have an interest, and some skills, in trying to address those activities that are really important from their vantage point. I believe it is in those areas wherein there is a large and vibrant private sector, related to fossil energy—in terms of using constituents, as well as in terms of manufacturers that develop equipment for the users, as well as organizations such as EPRI and GRI, which are, in effect, aggregations of users, that can have a different type of external environment for the conduct of process development and commercialization-oriented research than exists in its counterpart in certain other areas of Government activity.

MAGNETOHYDRODYNAMICS

Senator McCLURE. Let me turn from the general question to some specifics, if I may. I am going to talk about MHD for a moment. No funds were requested of Congress, no funds were requested of OMB or even of the Department in their internal review. This action is, of course, in accord with the Department's proposal to use most of the remaining fiscal year 1983 funds to close down all ongoing MHD research, including facilities in Montana and Tennessee and defer the remaining funds, totaling about $3 million.

Why has the Department again this year asked to zero-fund and thus close down MHD development?

Mr. MARES. We evaluated the various needs and activities that we have under way that could support the development of enhanced technologies in electrical generation. Considering the expense to carry these technologies to the stage where they will be commercially developed—and comparing one against the other, it is our judgment that it is not a desirable use of taxpayers dollars to continue at the rate of funding and the type of effort in MHD that we have in the past.

The other alternate electrical technologies that are being supported by the Federal Government include pressurized fluidized bed, fuel cells, and atmospheric fluidized bed. So there are at least three different technologies that are oriented toward central station electricity generation. Each would be an enhancement over what we have today and a substantial enhancement for the future, both from an efficiency as well as from an environmental standpoint.

Since the current philosophy is that we should not take everything through the commercialization stage, and certainly the Government shouldn't take it much farther than the proof-of-concept stage, we have made a judgment that it is a more appropriate use of the taxpayers dollars to concentrate our efforts and dollars in the pressurized fluidized bed activity, fuel cells, and in the atmospheric fluidized bed activity.

Senator MCCLURE. Doesn't MHD hold a promise of being a relatively inexpensive and environmentally acceptable means of producing electricity?

Mr. MARES. I don't think MHD is relatively better than fuel cells, for instance, in its development. There is a economic analysis that has been done by EPRI which would indicate that the expected cost of electricity from MHD is not that dissimilar from the fuel cells in a combined cycle arrangement or in PFB. I find there's been no person since I have been here who has not been involved in the MHD community that has come to me and said that you are making a mistake by trying to terminate the MHD program.

The ERAB organization has recommended that DOE should not be continuing MHD. It is my judgment that we cannot do everything. Let me go back a minute. I am not making a judgment about the quality of work that is being done today or the quality of work that has been done to date in that effort. I think it has been good work. The judgment I am making is the value to the Nation and the projected cost to the Federal Government to carry MHD to its potential commercialization as compared to other activities. I find this hard to justify.

Senator MCCLURE. You pointed to three other technologies that you think are equal to or superior in promise to that of MHD.

Can you point to any others? Would you like to provide something for the record, or would you just give——

Mr. MARES. I would be happy to provide that.

Senator MCCLURE. Or would you just rather give me the answer that everything else that's in the budget?

Mr. MARES. We have identified three activities that we are funding that we think will be able to make a contribution of the same economic and environmental potential as MHD and which will not require the same level of Federal funding.

Senator MCCLURE. I'm not pointing to those three. I just wondered if there are any others.

Mr. MARES. Beyond that, no, there are no others that come to mind.

Senator MCCLURE. All right. If some do come to mind, would you provide that for the record?

Mr. MARES. Yes, sir.

[The information follows:]

ALTERNATIVES TO MHD

Combined cycle gas turbine systems, as well as PFB, AFB, and fuel cells, are alternatives to MHD. The projected efficiencies and economics of these systems are shown in the attached table. The information was extracted primarily from the EPRI "Technical Assessment Guide" (TAG).

The EPRI "Technical Assessment Guide" (TAG) is a generally recognized data source where current capital cost and performance estimates for advanced technologies are provided on a uniform basis. The data presented in the TAG was used to generate estimates for cost of electricity (in 1980 dollars) for the different technologies requested. For MHD systems, two other estimates are also given. One is based upon a recent separate MHD study by Gilbert Commonweath, "An Assessment of Advanced MHD Power Plant Systems." The second is derived from the EPRI TAG data under the assumption that the scrubber system included in the TAG design is not needed.

The uncertainty in projected cost of electricity explicitly shown for MHD in the table is typical of that which would be obtained if various separate estimates for the other advanced technologies were also presented.

This is the best data currently available. We are now in the process of reevaluating the described technologies and should have better data in the near future.

Technology	Capital cost ($/kW)	Capital cost ($/MMBtu/Hr)	Variable O&M ($/MMBtu)	Capacity factor	Efficiency	Cost of electricity (Mills/kWh)
Pulverized coal with scrubber	1,100	332,297	2.05	0.7	0.34	[1]52
AFB	820	240,000	1.20	.7	.35	[1]43
PFB	875	256,372	1.70	.7	.39	[1]43
Gasification combined cycle:						
Turbine	1.030	301,787	1.46	.7	.39	[1]46
Fuel cell	995	291,532	3.34	.7	.48	[1]47
MHD [1]	1,356	397,476	1.17	.7	.37	52
MHD [2]	842	246,703	1.17	.7	.48	37
MHD [3]	1,110	325,227	1.14	.7	.48	46

[1] EPRI "Technology Assessment Guide," 1981.
[2] Gilbert Associates, "An Assessment of Advanced MHD Power Plant Systems."
[3] EPRI "Technology Assessment Guide," 1981 (without scrubber).

MAGNETOHYDRODYNAMICS COMMERCIALIZATION

Senator McCLURE. The Federal Government has since fiscal year 1971 provided some $452,500,000 for MHD development. The MHD Industrial Forum recently proposed a trimmed down plan to fund MHD through a retrofit phase over the next 8 to 9 years, which calls for an additional Federal commitment of at least $520 million.

If the Congress were to agree with such a plan, how close will we be to commercialization of MHD technology at the end of that plan?

Mr. MARES. Well, if it were successful, we might be close. But I would hope—and I say this for the following reason—the estimates of the cost of developments to take the technologies through commercialization have generally been much lower than, in fact, has been the experience. Thus, the $500 million number, which weighs heavily in my thinking for out-year expenditures, I am inclined to think will be low, even if we achieve what is proposed in that plan.

Senator McCLURE. But could I stop you for just a moment there?

There are components to that underestimate of cost. One is perhaps underestimates or optimistic estimates about cost, and the second is what is the escalation of cost during that period of time—the inflation cost.

Mr. MARES. I am speaking more to the technical difficulties than speaking in terms of whatever the inflationary factor turns out to be.

I think our work in fossil energy has substantiated that first-of-a-kind plants are always more expensive than were the original estimates. I am skeptical that the estimated number, in fact, would be the final cost.

Senator McCLURE. You would also be skeptical of the same thing on pressurized fluidized bed or fuel cells or atmosphere fluidized beds?

Mr. MARES. Yes; although we are a bit further along in fuel cells and in pressurized fluidized bed than we are in MHD.

Senator McCLURE. All right. What other work would remain to be done before commercialization would be possible, and if you have any estimate, what would be your estimate of that additional work?

Mr. MARES. Well, you are speaking relative to MHD?

Senator McCLURE. Yes.

Mr. MARES. I don't have it at my fingertips, and I am not sure we have made an estimate of the exact amount to take it through to commercialization.

I would seriously doubt that the suggestion by the MHD Industrial Forum is too high. I think, if anything, it is too low, and, as a result, I have not tried to push that estimate or create one.

Senator McCLURE. Do you suppose the information is available? Could you provide it for the record, or is it something you probably don't have?

MHD CONGRESSIONAL REPORT

Mr. MARES. There is a report that is being prepared as a result of a request by Congress last session regarding MHD, and that report, we think, will be completed within 30 to 60 days, and that number I believe may be in there.

I would prefer to wait until that is finished.

Senator McCLURE. I would hope it is done in less than 60 days.

Mr. MARES. Well, we are really aiming for May.

Senator McCLURE. I mean, there is a time escalation as well as cost escalation on Government studies, as well as commercialization efforts.

Mr. MARES. We are aiming for the middle of May.

Senator McCLURE. All right. And the Industrial Forum is aiming for $520 million.

Mr. MARES. I hope they miss. I hope they get zero.

Senator McCLURE. I hope you don't miss in your time any more than you think they miss in their estimates.

Mr. MARES. I will do the best I can to make sure we are in on time.

COST ESTIMATE—COMMERCIALIZATION OF PFB

Senator McCLURE. How much would it cost, in your estimate, to get to commercialization in the pressurized fluidized bed?

Mr. MARES. May I answer that for the record, sir?

Senator McCLURE. Yes; and for the fuel cell.

Mr. MARES. Well, in fuel cells we are almost there.

Senator McCLURE. Could you give us for the record a time estimate and a cost estimate on the three technologies that you have described?

Mr. MARES. I will be pleased to do so.

[The information follows:]

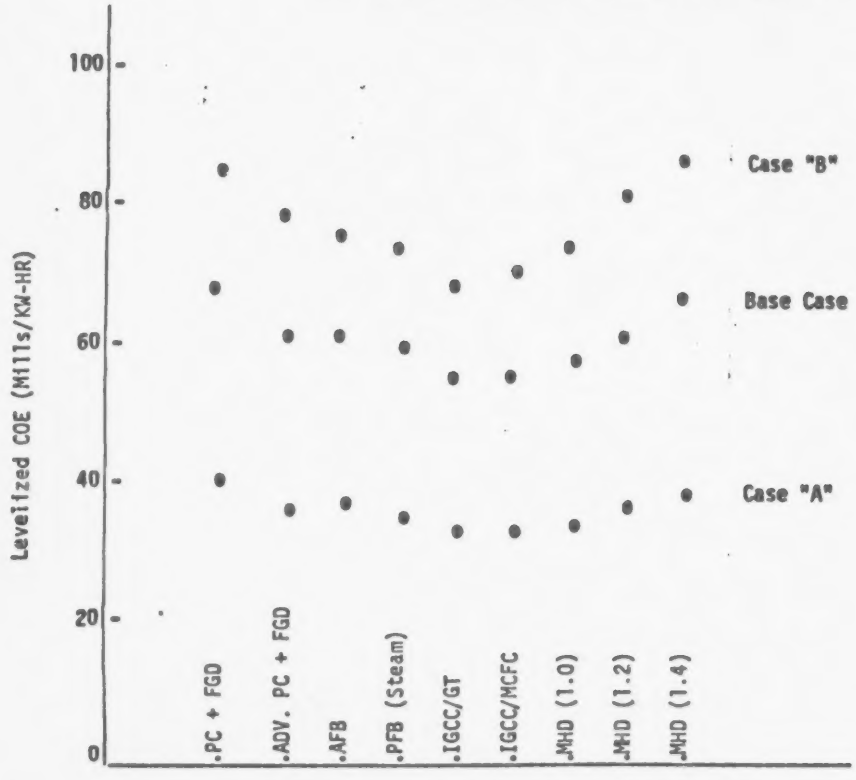
COSTS AND TIME ESTIMATES FOR COMMERCIALIZATION OF PFB, AFB, AND FUEL CELLS

The time estimated for the commercialization of the PFB, AFB, and fuel cells technologies is reflected in the following table:

Electric utility technology:	*Year available (Estimate)*
Atmospheric fluidized bed	Late 1980's.
Pressurized fluidized bed combined cycle	Early 1990's.
Phosphoric acid fuel cells (gas-fired)	Late 1980's.
Integrated gasification combined cycle (IGCC):	
Gas turbine	Mid 1990's.
Advanced fuel cell	Around 2000.
Magnetohydrodynamics combined cycle	Beyond 2000.

The following graph provides an estimate of their development costs:

ESTIMATED COST OF ELECTRICITY FOR POWER GENERATION OPTIONS*
AND SENSITIVITY TO ECONOMIC ASSUMPTIONS**



*MHD COE's based upon indicated capital cost multiplier relative to PC plant and 50 percent efficiency.

**Economic parameters and fuel costs shown below.

17-834 O - 84 - 37

ECONOMIC PARAMETERS AND FUEL PRICES USED IN SENSITIVITY ASSESSMENT FOR ADVANCED TECHNOLOGIES

CASE	INFLATION RATE	DISCOUNT RATE	FUEL* PRICE $/MMBTU	LEVELIZING FACTOR	FIXED CHARGE RATE
BASE	6%	10%	$1.90	1.9	.127
A	0	3.77%	$2.28	1	.072
B	10%	16%	$1.52	2.37	.21

*Given in 1980$. Base case value is coal price projection for year 2000.

Note: Case A favors high efficiency; Case B favors low capital cost.

EXTENT OF PRIVATE SECTOR INVOLVEMENT IN R&DC

Senator McCLURE. Thank you very much, Mr. Secretary.

Senator Stennis, do you have some questions you would like to address?

Senator STENNIS. Well, I just have a very few moments.

I am interested in MHD that you have been talking about.

Mr. Chairman, gentlemen, it was my privilege to hold some hearings for this subcommittee some years ago, when we were more conscious of energy needs and requirements, and I was impressed with the extent of the research that was going to be necessary in these various fields and also the enormous cost of it, and it became very clear to me that we couldn't depend on private enterprise to do all this research. They just didn't have that kind of money.

So I think it is time to pick out, you know, where we make money and go as far as we can and support items that I wouldn't have supported, and it got into some phase of coal.

That was the most encouraging thing we found about the future prospects of energy—coal—and a chance to double the capacity.

Well, about that time we happened to be down in Mississippi at one of their universities, and I found they had a man down there who had a national reputation as a physicist—a scientist, I would say. That is a broader term. And he was already in some kind of program along this line—MHD.

Ever since then, I have been begging this committee, with some little success, for a small amount of money just to keep that going, keep that experiment going.

It reminds me of the time I read about Thomas A. Edison, about how long he worked to make the electric light bulb.

Senator McCLURE. I suspect maybe the Secretary will respond by saying had it been a governmental program we would still be using kerosene lamps.

Mr. MARES. You do very well for me. Thank you, Mr. Chairman.

Senator STENNIS. I don't know. But anyway, just a comparison came to my mind now.

I just hope that we can supply a little money to let these experiments go on in many places. That is small money compared with what we are spending anyway in this field, and it is on that basis, with the proven capability of this gentleman, that I have that in mind.

PREPARED STATEMENT

I have this in abbreviated form—the statement—and I ask it be put in.

Senator McCLURE. Without objection, so ordered.

Senator STENNIS. Thank you.

[The statement follows:]

STATEMENT OF SENATOR JOHN C. STENNIS

The past decade stamped an unforgettable impression on my mind of the importance of energy to our economy, our way of life, indeed, to the future of this Nation. The enormous economic impact of the two major oil price increases remain with us today as we struggle to recover from the waves of inflation, tight money, high interest rates, and recession which followed the oil price shocks of 1974 and 1979. Hopefully, we as a Nation have learned that the hard lession of excessive dependence on imported energy. I am encouraged that the Congress saw fit to form an energy department and by so doing kept the importance of developing energy resources, and energy technology, at the Presidental Cabinet level.

However, Mr. Chairman, I am concerned that we may forget how important it is to continue working toward providing adequate supplies of energy in all forms, for the Nation's future development. The so-called oil and gas glut may lull us into complacency. If this should happen, it would be a great national mistake. As I understand it, we still must import over 4 million barrels of petroleum a day, even during this recession, when our factories are running far below capacity. It is also my understanding that even during this period of slack demand, we are finding less oil than we are using.

Fortunately, the warning of the last decade set in motion a strong national effort to be prepared for a future when oil will become more and more scarce, more expensive, and more difficult to produce. This country has been blessed with enormous reserves of coal, lignite, and oil shale which can be used to provide energy and chemicals for our future. In this regard, I am pleased that the Congress has continued to support strong research and development efforts in fossil fuels.

In my own State we have large lignite deposits which are available for development. We have also participated in the MHD (magnetohydrodynamic) program which appears to be a very promising technology for the efficient utilization of coal. Early research, I am told, shows that this method of generating electricity is very efficient, increasing the electric energy output by more than 50 percent over other coal burning technologies. It also burns coal cleanly, reducing acid rain producing sulfur compounds by 90 percent, and nitrogen oxides 30 to 50 percent.

It is my hope, Mr. Chairman, that we will continue to develop this technology. I was very disappointed last year when the administration recommended termination of this MHD program. The Congress added a modest $29 million to keep the effort going, but again I have been informed by the staff that the administration still desires to terminate the program for budgetary considerations. I believe that this program and the entire energy effort is too important to be sacrificed because of budgetary considerations.

GREAT PLAINS COAL GASIFICATION PLANT

Senator MCCLURE. Thank you, Senator Stennis.

Mr. MARES. There is very fine work done at Mississippi State University, sir.

Senator STENNIS. I thank you for that, too. I am going down to alumni day this weekend, and I will tell them what you said.

Senator MCCLURE. Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman. Glad to see you back, Mr. Mares.

What is the current status of the Great Plains Coal Gasification Plant? What percentage of the project is complete, and how many individuals are employed at the plant?

Is the construction of the plant on schedule?

Mr. MARES. The plant is 50 percent constructed. That means in the field. Over 90 percent of the equipment has been procured, and over 90

percent of the engineering has been done. Each of these items is closer to 100 than 90 percent.

As I recollect the number of permanent employees that have been hired to operate it is 229 at the present time. The expected expenditure is trending below the original budget expectation, and the schedule is within 4 weeks of the original schedule.

Senator BURDICK. I have been told that the project is nearing 70 percent.

Mr. MARES. When we average the procurement and engineering with field construction, 70 percent is the weighted average determination.

Senator BURDICK. And I have also been told that when you consider all the employees in the construction area that there are about 3,000 involved.

Mr. MARES. There are approximately 3,500, sir.

Senator BURDICK. If I recall correctly, the project—the cost of the project is about $2 billion, is that correct?

Mr. MARES. That is correct.

Senator BURDICK. Thus far, how much have the Great Plains partners contributed to the project?

Mr. MARES. About $300 million.

Senator BURDICK. And how much has DOE contributed under the GAO loan guaranty agreement?

Mr. MARES. About $640 million as of today, sir.

Senator BURDICK. And I understand that the project is currently under budget?

Mr. MARES. Yes, sir, it is trending under budget. We won't know until it is finally completed, but our expectation is that it is going to be under budget.

FUTURE OF THE GREAT PLAINS PROJECT

Senator BURDICK. Considering that the project is 70 percent complete, as you described, and nearly half of the project funding has been spent, and also considering there is no guarantee that oil prices will remain as low as they are now, would abandoning the project make any sense?

Mr. MARES. I think there are substantial benefits for the Nation that can be obtained when the project is completed.

Senator BURDICK. Thank you. At this stage we hear so many rumors about it.

Is there any assurance at this time that the project will continue unabated? Is that a tough question?

Mr. MARES. It is a tough question. The agreement that we have with the partners allows them the opportunity to withdraw from the project if the revenues from the project during the first 10 years are insufficient to pay all of the operating expenses, retire the debt in accordance with its terms, and have an amount sufficient to repay their original equity investment.

There are a series of forecasts of current cash flow for the project which would permit them a choice to exercise that right as of this mo-

ment. They have not chosen to exercise that right. I don't believe that they have that intention today based upon the activities, conversations, and dealings that we have had with them. I think their desire is to complete that project.

Senator BURDICK. What if the partners bowed out? Would DOE continue to finish the project in some way? That is iffy, of course.

Mr. MARES. I think we would have to determine what were the circumstances under which the partners would leave the project. I don't expect they are going to drop the project.

I expect they will make a proposal to the Department within 30 to 60 days for some changes in the agreement that would take into account the current forecasts of revenues which are substantially different than the forecasts as of 12 or 24 months ago.

Senator BURDICK. I understand DOE is in the very early stages of renegotiating a modified financial arrangement with the Great Plains partners, is that correct?

Mr. MARES. I wouldn't describe what we are in today as negotiations. What we did in February in our role as part of the management committee of the project was to provide information and work with them regarding the economic assumptions. In fact, we provided them with a preliminary Department of Energy forecast for the out-years on the projected world oil prices.

When we convert that data to No. 2 fuel oil and natural gas, that provides the base for determining what the profit would be under that set of assumptions.

In addition, we provided information to them about the authorities that were available to the Department and those which were not available without either congressional authorization or appropriation.

We are basically trying to describe for them the legal parameters within which the agreement is currently structured and what potential changes might be made without trying to influence them.

MODIFICATION OF THE GREAT PLAINS AGREEMENT

Senator BURDICK. Well, what I've been getting at is that out in my State there have been several newspaper articles about certain difficulties arising. And I just wanted to—if you can, to tell us about the present state of affairs.

Mr. MARES. We expect they will make a request to us for modifications in the agreement that could include reduction in the interest rates, change in the period of time during which the debt may be repaid, change in the period of time within which the debt might be borrowed, a form of assistance loan as principal and interest assistance, and possibly price supports or a combination of those.

Once they make a request to us, we're going to evaluate and respond in as responsible a fashion as we can, reflecting the interest of the Congress and the taxpayers in this project.

Senator BURDICK. But from what you just explained, the project is still ongoing?

Mr. MARES. That is correct.

Senator BURDICK. Thank you very much.

Senator MCCLURE. Senator, would you yield on that point?

Senator BURDICK. Yes, Mr. Chairman.

Senator MCCLURE. Because I do want to understand what the Department's view is.

My understanding of the first newspaper accounts would lead the casual reader to believe that the Great Plains project was about to collapse when, as a matter of fact, the partners who were involved all agreed to extend their participation and that there is no immediate collapse of that project, as a matter of fact.

Mr. MARES. That is correct.

CONCERNS OF THE GREAT PLAINS PARTNERS

Senator MCCLURE. That if they agree to extend, they may have to extend a period of time in which they get economic return on invested capital or get capital recovery. But still, the expectation at this time is that they will be able to do that in the foreseeable energy market, during which they will be marketing product.

Mr. MARES. I believe that from the standpoint of the partners, their anxieties right now revolve around several things including the need to invest more money than expected during the first 6 or 7 years of the project. The amount could be approximately $840 million more if the current forecast materializes.

That is something they had not expected. This would impact on their corporate needs for other projects that they would contemplate doing in that same timeframe.

The second issue that they foresee from their vantage point is that the earnings from the project during the years after the first one or two are much less than they had originally expected. They had always expected there would be some losses in the early years and that they could assume them.

Because the revenues are so much lower, at least in this current forecast, they would see more losses than they had originally contemplated.

I think that all of us are hesitant to take any single forecast of what the world oil price is going to be very far in the future, because the record on forecasts has not been very good of late.

So, I think the questions that are in the minds of the partners are more of a what if nature—what if these forecasts, in fact, take place, what would be appropriate changes that they should ask of us and, in turn, what would we respond to them.

Although they have not exercised their option to withdraw, they do, by contract, have the right if they foresee very dire financial results.

If they withdraw from the project, the U.S. Government would have all the rights—knowledge rights and the contractual ability to finish the project. We would not be left holding the bag in the sense of being unable to complete the project if the judgment were that we should.

Senator McCLURE. But at the present time, each partner has indicated that intention to go ahead even with this new information that is available?

Mr. MARES. That is correct.

Senator McCLURE. The reason I mentioned that, I want to quell some fears out there.

MISLEADING NEWS STORIES ABOUT GREAT PLAINS

Senator Burdick. I'm glad, Mr. Chairman, you did, because here's the type of story that is going around. "Showplace Synfuels Plant in Trouble."

Senator McCLURE. That's the headline?

Senator BURDICK. Yes.

Senator McCLURE. Headline writers don't necessarily know what they're talking about even if the reporter wrote the article right. There are two levels involved:

First, the reporter writes the story. And second, a headline writer picks out something out of the story to put up at the top of it to grab somebody's attention. And obviously, it has had that result. But I think it's misleading.

Senator Burdick. Well, to summarize what you have said, I presume the change in oil prices had something to do with the precipitating of these problems. And right now the plant is in construction, and you are in discussion with the partners——

Mr. MARES. That is correct.

Senator BURDICK [continuing]. On your future in some way?

Mr. MARES. That is correct.

Senator McCLURE. I think it might be important at this time at least to register my own personal view that the partners in that consortium ought to be a little cautious about expecting that Congress very readily changed legislation that's necessary for expanded Federal Government participation.

I think they ought to be encouraged to look very carefully at their own resources, which I think perhaps will prove to be adequate; and second, that the option that some have suggested that they simply revive the Synthetic Fuels Corporation is not such an obvious winner that they ought to be encouraged to go that direction either, because they would come back in as one of the solicitations, in competition with all the rest of the solicitations. And that's not necessarily a clear winner in that competition.

I would encourage them to look at their own resources.

Senator STENNIS. Mr. Chairman, will you yield for just one question?

Senator McCLURE. Yes, be happy to.

Senator STENNIS. I ask unanimous consent, Mr. Chairman, that the tax question, as revised, be included in the record by the witness.

And the reason I request that is, rather than ask questions, I understand there is a quorum and they are going to explain to us just what we have agreed on last night.

Senator McCLURE. Without objection, it is so ordered.
Senator Huddleston.

FOCUS OF FOSSIL ENERGY RESEARCH AND DEVELOPMENT

Senator HUDDLESTON. Thank you very much, Mr. Chairman.

Mr. Mares, can I ask you, first, in your judgment, are we, as a Nation and as a Government, going to allow all of the effort and all of the progress that has been made in developing energy self-sufficiency through greater utilization of fossil fuels to just go by the boards and disappear because of the surplus of oil that appears to be present at the present time, plus the reduction in oil prices?

Mr. MARES. I don't believe the Nation will do that, nor do I believe we are doing it, Senator Huddleston.

Senator HUDDLESTON. You don't think decreasing the fossil energy research budget from $311 to $94 million indicates a certain retrenching in that direction?

Mr. MARES. I wouldn't draw that conclusion, because I think what we are doing is focusing Federal efforts on the basic science and applied research part of fossil energy R&D. In the development area, the ideas will be selected and then commercialized by the private sector.

The Government is not the ultimate consumer or user of the technology. There is a wide variety of firms and institutions that are going to do that.

Senator HUDDLESTON. What has happened in the private sector that leads you to believe that they are now willing, able, and ready to pick up the costs of research and development in this field?

Mr. MARES. I'm suggesting that basic science and applied research is more appropriately the role of Government. In my statement, there is a more elaborate description of the five levels of technology judgment.

I'm suggesting that people will use broad research and development as a foundation for all five segments. I believe that the thrust of our program should be concentrated on the basic and applied research parts of that development chain. We think this is appropriate for Federal funding because it does provide information on physical and scientific engineering principles and concepts that can be used more broadly by individual firms and industries.

We would also support some proof-of-concepts work.

When you go beyond that, into process development, we think that's not an appropriate expenditure of Federal funds. And so, we are concentrating in an area that is not likely to be funded by the private sector. In fact, we try not to fund where the private sector would otherwise fund.

ENHANCED OIL RECOVERY

Senator HUDDLESTON. I guess the real question is whether or not you make all the right judgments as to where the private sector is going to fit in and where it's not and whether we're going to make any progress in the course we're on.

I notice you do have some extra money for enhanced oil recovery. But here again, we are dealing with oil, which even in the most optimistic moments we have got to recognize is a finite resource that's going to run out.

Mr. MARES. The reason we're requesting increased funding in enhanced oil recovery is in order to support an increased amount of work at universities. This will result in a more thorough understanding of the surface chemistry and physics of the reservoirs, will provide the information from which tertiary methods of enhanced oil recovery can ultimately be developed and used by the private sector.

As you well know, only about a third of the oil that has been found in this country has been produced. We leave about two-thirds of it underground. There have been fields wherein, using enhanced recovery methods, we have retrieved over 50 percent—close to 60 percent in some cases of the existing oil.

To the extent that the technology base for the Nation can be enhanced in that area, it provides to us an increased supply of liquid fuel. We think, this is of a relatively greater importance to us in terms of our long-term energy dollar. In our judgment, it also provides a more cost-effective basis than going, as of this moment, in the direction of coal. Although we are also working in coal liquefaction.

Senator HUDDLESTON. What are you going to do when the oil runs out? That's going to happen.

Mr. MARES. Yes, sir, it will happen.

What we are judging is that by increasing our technology base through enhancing our recovery of oil, we will be making a more cost-effective use of our research dollars. In addition, we will also ultimately be expanding the remaining domestic petroleum supply.

Senator HUDDLESTON. In the immediate term.

Mr. MARES. I'm talking 25 years, sir. I don't think that's immediate term. Twenty years.

Senator MCCLURE. Could I interrupt just long enough to say, upon the completion of this hearing, the committee will stand in recess until 2 p.m. Thursday, April 21, when we will review the fiscal year 1984 budget request of the Indian Health Service and the Office of Indian Education.

ADDITIONAL COMMITTEE QUESTIONS

Certain questions, in writing, will be submitted for response in writing for the record.

Thank you.

Senator HUDDLESTON. Mr. Chairman, with three bells, I'm perfectly willing to submit questions, if that will be satisfactory, for answers. And we can go ahead and recess this session.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Fuel Cells

Question: Turning for a moment to the Fuel Cell program, you have proposed an overall reduction of some 20 million, 550 thousand dollars, a decrease of 69 percent. As you have identified fuel cells as one of the most promising technologies DOE has been involved with, why are you proposing such a large reduction for fiscal year 1984?

Answer: The reason for the reduction in funding between the FY 1983 appropriation and the FY 1984 Congressional budget is the phase out of government support for the 4.8 Mw power plant and the 40 kw on-site program. The proposed fuel cell budget for FY 1984 is sufficient to complete the 4.8 Mw demo project and 40 kw fuel cell field test project (both of which are fully funded at present, barring any unforeseen technical problems). It would also permit the continuation of at least one phosophoric acid technology development effort and would support at least one development team in each of the advanced fuel cell technologies now being pursued (molten carbonate systems and solid oxide systems).

Question: The largest portion of your proposed reduction is in phosphoric acid systems development, where, among other things, you propose to discontinue the on-site research and development program, including a phase-out of the 40 kw field tests. Have the 40 kw tests told us everything we need to know about this technology?

Answer: The on-site fuel cell program has not been discontinued. It is only the development activities in the on-site program, aimed at further advancing this technology, that have been proposed to be discontinued. The technology development in this area has progressed to the point that a major field test has been initiated. The field test is cofunded with the Gas Research Institute (GRI) and involves the field testing of up to fifty-two 40 kw phosphoric acid fuel cells. Testing has been completed on initial engineering and development of a 40 kw power plant on which approximately 7000 hours of operation were accrued. Testing is currently underway on three early prototype power plants. The manufacturing effort for the forty-nine field test units is well underway, with virtually all components on order and assembly beginning at this time. The forty-nine units will be turned over to utilities selected by DOE and GRI for field testing between September 1983 and March 1984 as the units come off the production line and are accepted. We expect that the field testing, which should be completed by the end of FY 1985, will provide the research data necessary for the private sector to proceed to commercialization of this technology. The field test is presently fully funded. Barring unforeseen technical problems, the program will be completed within the funds available.

Question: Doesn't it in fact make more sense to conduct additional on-site research and development activities in order to build a greater data base of the technology?

Answer: Given the substantial data base that has been developed to date and the additional information that will be obtained through the completion of the fully funded 40 kw field tests, we believe that the technology data base should be sufficient to allow for commercialization of this technology by the private sector.

Question: How much has the Federal Government invested in on-site phosphoric acid fuel cells and how much would be necessary to build a more complete data base?

Answer: The government has invested about $66 million in on-site phosphoric acid fuel cells through FY 1983. Certainly with more funding a broader data base could be developed, but the existing data base should be sufficient for subsequent continued development and eventual commercialization by the private sector.

Question: What is the current status of the 4.8 megawatt power plant demonstration facility in New York City?

Answer: The 4.8 Mw preprototype fuel cell power plant in New York has been undergoing checkout tests prior to connection of the fuel cell modules. These tests are now proceeding smoothly with electric power generation expected to begin in the June, 1983.

Question: Specifically, what work do you plan to do at the 4.8 Mw facility during 1984, and what will be the associated costs?

Answer: Operational testing will begin in FY 1983 and extend into FY 1984. It will include acceptance tests and validation tests to determine the performance characteristics of the power plant. After operation for approximately 1000 hours, there is a scheduled decision on further testing based on information obtained up to that time. Barring unforeseen problems, no additional funds beyond FY 1983 are required to complete the project. The total associated costs for operating the 4.8 Mw power plant during FY 1984 is approximately $2.2 million with DOE's share being $1.1 million funded by prior year appropriations.

Question: Will fiscal year 1984 be the last year of Federal activity at this facility or is other work planned?

Answer: It is conceivable that the additional testing may continue into FY 1985, but this will be highly dependent on information gained prior to that time. Barring unforeseen problems, no additional funds are required to complete the project.

Question: Does DOE expect to sponsor other similar demonstration activities in the future, such as using a molten carbonate system?

Answer: DOE is not planning for large power plant demonstration programs with molten carbonate systems. The DOE program will focus on the early stages of research and pursue the resolution of critical technical issues.

Question: For fiscal year 1983, the Congress provided some $2,500,000 for the Thermionics program. Am I correct that no funds have been requested for this program for 1984 and, if so, why?

Answer: No funds have been requested for thermionics in FY 1984. DOE is continuing thermionics technology development into FY 1984 with the FY 1983 appropriations. Over the past years, long duration operation of thermionic converters has been demonstrated at laboratory scale with nuclear and natural gas heat sources. In FY 1983, the feasibility of utilizing thermionic converters with coal based fuels will be examined. At the completion of these efforts in FY 1984, we will have reached a logical place to conclude the DOE sponsored technology development efforts, to document the data base, and to make the information available to the private industry and other Government agencies (e.g., DOD).

Question: The Department of Defense has reported to this Committee that they have considerable interest in thermionics technology. Has DOD contacted your office in this regard? Have you contacted DOD and requested funding assistance from them? If not, why not?

Answer: On June 21, 1982, the director of Defense Advanced Research Projects Agency (DARPA) sent a letter to DOE endorsing the continuation of the thermionics program, with DOE funds. DOE has not formally contacted DOD. We believe that at the completion of the feasibility efforts conducted during FY 1983, we will have reached a logical place to conclude DOE sponsored technology development efforts. We also believe that the best use of this technology is related to Defense activities and would support the transfer of the program to DOD.

Question: Technologically speaking, what are the advantages and disadvantages of solid oxide fuel cells as compared with phosphoric acid and molten carbonate?

Answer: The phosphoric acid fuel cell technology is at a much more mature stage of development than are the advanced fuel cell systems, molten carbonate and solid oxide. It is anticipated that phosphoric acid fuel cells operating on natural gas may be commercially ready by the late 1980s. The advanced fuel cells have a higher operating temperature and offer the potential of the highest overall system efficiency in combined cycle applications. The higher operating temperatures may permit internal fuel reforming with accompanying decreases in capital cost. These advanced fuel cells also appear to have a greater tolerance to fuel impurities, making them particularly attractive for utilization with coal derived fuels.

The molten carbonate fuel cell technology lags behind phosphoric acid technology by some ten years. Solid oxide systems lag behind molten carbonate technology by some five or more years.

In terms of more specific information regarding solid oxide fuel cells, single cells have been operated, but system characteristics are largely speculative based on several favorable factors. The absence of a liquid phase is expected to give solid oxide fuel cell power plants advantages in electrolyte management. The higher operating temperatures of the solid oxide system simplifies heat removal and permits greater utilization of the generated heat for power or industrial processing. The higher operating temperatures also eliminate special catalyst needs, reduce the fuel pretreatment required, and permit internal fuel reforming. These advantages and the lack of a corrosive electrolyte may permit the solid oxide systems to achieve cost, life, and dependability superior to phosphoric acid systems. The high operating temperature may be a disadvantage for some applications where portability and quick startup are required.

Question: Does solid oxide have the same potential for electric utility and other applications as phosphoric acid and molten carbonate, or will it have other applications altogether?

Answer: Solid oxide applications should be suitable for electric utility applications as well as to many industrial uses where electric power and process heat are needed. Solid oxide and molten carbonate systems are expected to be better adapted to base loaded power generation systems using coal than are phosphoric acid systems. Some concepts to be explored in the solid oxide area could provide very high power and energy densities with low material costs. If other costs are manageable, the applications could be expanded into new uses requiring low capital costs.

Question: What are the developmental funding requirements for solid oxide as compared to the other two technologies?

Answer: The amount of annual funding required for the development of a technology is generally related to its relative maturity, i.e.,

technologies at a conceptual stage of their development require less funding to pursue than those at a commercial demonstration stage. The solid oxide technology is less mature than the other two systems, and, therefore, it requires less funding at the present time. After weighing a number of factors, the Department has concluded that the appropriate funding level for solid oxide systems for FY 1984 is $1.5 million.

Control Technology and Coal Preparation

Question: As you have reported in your justification, "The ultimate cost of electricity or process heat is strongly dependent on technologies dealing with coal quality, environmental emissions, and waste disposal. A sound advanced technology base in the inter-dependent technologies of coal beneficiation, gas cleaning, and waste disposal is essential to critical economic and engineering analysis of site-specific coal utilization requirements." In this regard, I note that you have proposed a FY 1984 budget of $7,600,000 over FY 1983. As your main goal under this program is to test and evaluate nitrogen oxide and sulfur oxide cleanup systems, wouldn't additional funding help solve these emission problems in a shorter time frame? Isn't such an accelerated program desirable?

Answer: The FY 1984 flue gas cleanup budget request for the removal of sulfur oxides and nitrogen oxides is $7,600,000. A total of nine processes are currently under development. This process development cycle consists of laboratory studies, bench scale experimentation, and proof-of-concept testing and normally takes about 4 to 5 years. This time period cannot really be accelerated without unduly increasing technical risk regardless of funding availability. Increased funding could be potentially useful in accelerating the commercialization process by scaling up after the proof-of-concept phase has been successfully completed. However, since we have not yet completed proof-of-concept testing on any of the processes now being developed, additional funding for FY 1984 would be premature.

Question: How do you coordinate your program with that of the Environmental Protection Agency, and what exactly are they doing that you are not? How much money does EPA spend in this regard? Are any other Federal agencies involved with this or similar emission control work?

Answer: Coordination meetings are held between EPA and DOE on a semi-annual basis. Additionally, further programmatic information exchange occurs as a result of joint membership on the Acid Rain Control Technology Task Group under the Interagency Task Force for Acid Precipitation.

The EPA program for NO_x and SO_x control can be categorized as follows:

- Flue Gas Desulfurization (FGD) - Concentrates on evolutionary improvements to more or less existing processes to reduce costs and improve performance and reliability. Included in this area is work on additives for lime/limestone scrubbing processes, characterization of spray dryer performance and costs, research on spray dryer and dual alkali processes to substitute limestone for the more expensive lime currently used, and support of the aqueous carbonate desulfurization process demonstration project.

- Combustion Modification - Development of low NO_x burner configurations for both retrofit and new plant applications.

- LIMB - Mates the low NO_x control with limestone injection into the combustor for SO_x control. The objective of this effort is near term development of a low cost system of modest performance for retrofit to coal-fired boilers to control acid rain precursers.

EPA maintains cognizance over work concerning desulfurization-only processes, combustion modification technology, and near-term retrofittable process development for acid rain control. The DOE program focuses on efforts related to the research and development of those processes with the potential to simultaneously control NO_x and SO_x to levels exceeding the current NSPS.

EPA's level of effort in SO_x and NO_x control for FY 1983 is as follows:

- o Flue Gas Desulfurization - $1,200,000
- o Combustion Modification - $ 700,000
- o LIMB - $3,400,000

In addition to EPA, TVA is also active in SO_2 control technology. TVA's involvement centers primarily on process improvements for wet limestone scrubber systems.

Question: It has been reported that combustion modification shows significant promise in the control of nitrogen oxide emissions. Do you feel this is an area that should be explored and, if so, what kind of effort should be made in this regard?

Answer: It appears that combustion modification offers the potential of a 60 to 70 percent reduction in NO_x emissions as compared to the uncontrolled case. However, there is at present no effort contemplated in combustion modification technology under the Control Technology and Coal Preparation program. EPA has an ongoing program in this area, and additional related work is being performed under the DOE Combustion Systems program as part of the advanced combustor development effort. Thus, it is believed that combustion modification is being adequately addressed in the two ongoing program areas and that no justification is apparent for initiating a third effort.

Coal Liquefaction

Question: For coal liquefaction, you have proposed a reduction of some $20,600,000 from the 1983 level of $37,600,000. Part of this reduction reflects a termination of your support for the liquid phase methanol process development unit. Why are you proposing this termination?

Answer: The Congressional appropriation for FY 1983 includes funds for proof-of-concept work at the liquid phase methanol process development unit at La Porte, Texas. Funding for this project was not included in the Department's FY 1984 budget request, consistent with the overall redirection of the Fossil Energy program from large scale PDU's and pilot plants to long-term, generic, basic, and applied research.

Construction of this facility will be completed by the end of FY 1983. The subsequent operation of the PDU will provide the basis for the private sector to evaluate the process technology for development and commercialization potential.

Question: Assuming Congress approves this request, what work remains to be done on the liquid phase methanol PDU and what are the associated costs?

Answer: Modification and installation of the liquid phase methanol PDU will be essentially completed by September 30, 1983. The contract calls for operation of the PDU during 1984 in two different modes to

provide data for the production of fuel grade methanol from synthesis gas and for supporting laboratory research. The contract is scheduled to be completed by March 31, 1985, with total remaining government funds required beyond those available in FY 1983 estimated to be $4.493 million.

Question: Does there appear to be any private interest in taking over the unit? If so, please indicate for the Committee what interest does exist and the efforts the Department has made to promote such interest.

Answer: We have offered to turn the facility over to the present industrial cost sharing participants for operation with their funds. The participants recently declined our initial recommendation for a cooperative agreement which could permit them to carry out such operations. We plan to continue to explore with them alternative possibilities involving greater industrial participation.

Question: Last year, there was considerable talk about private industry taking over the H-Coal pilot plant in Kentucky. What progress, if any, has been made in this regard?

Answer: On January 26, 1983, Ashland Synthetic Fuels, Inc. (ASFI) assumed title to the H-Coal Pilot Plant facility after the conclusion of negotiations with DOE.

Question: Does the Department plan to continue efforts to find outside interests to take over the facility?

Answer: The Department conducted extensive negotiations with Ashland Synthetic Fuels, Inc. (ASFI), during 1982 with the intent of ASFI taking title to the H-Coal Pilot Plant facility. These negotiations were successfully concluded when, on January 26, 1983, ASFI assumed title to the facility. As a result of the successfully concluded negotiations with ASFI, the Department does not, at this time, have any further plans to contact other private sector representatives to discuss their potential interest in operating this facility.

Question: What exactly is the status of the facility and what are DOE's plans for its future use?

Answer: ASFI has undertaken, at its own expense, a "mothballing" program which is designed to keep the H-Coal Pilot Plant in a reasonably preserved condition. This effort involves approximately 26 people for four months. DOE has no plans for it future use. However, Paragraph S of Modification A048 to Contract DE-AC05-76ET10143 states that "The Contractor agrees that the Government and its designated contractors shall have the right, upon request by the Government, to use the H-Coal Pilot Plant Facility for an independent Government-funded H-Coal Pilot Plant program for a period of time up to: a. three (3) years after the completion of Phase IV; or b. three (3) years after the transfer date of the H-Coal Pilot Plant Facility to the Contractor in the event there is no Phase IV. Such use shall be on a non-interference basis with the operations of the Contractor..." It further states that "Notwithstanding... [the above] the Contractor shall have no obligation to maintain the H-Coal Pilot Plant for any future use by the Government where: a. it has provided written notice to the Contracting Officer of its intention to dismantle, demolish or otherwise dispose of the H-Coal Pilot Plant configuration; and b. the Contracting Officer has, within 120 days of the receipt of the Contractor's written notice, not advised the Contractor, in writing, that the Government will pursue any such independent Government-funded program to be completed with the applicable...[specified periods]."

Question: In the same regard, you have proposed no funds for the Wilsonville, Alabama, six ton per day liquefaction pilot plant, even though it is the only such Federal test facility. Why have you proposed no funds?

Answer: The FY 1983 appropriation of $750,000, together with prior year uncosted funds, is sufficient to fund operations through FY 1983. The Department is prepared to obligate, subject to Congressional concurrence in a proposed reprogramming, an additional $1.5 million of FY 1983 funds to Wilsonville. These additional funds, together with EPRI 1983 funds, will complete funding obligations for the current contract period (January 31, 1984) and provides a logical milestone for completion of this project.

DOE has been cofunding operations at Wilsonville with EPRI since 1976. By the end of the current contract period (January 31, 1984), proof-of-concept demonstration will be completed on one Integrated Two Stage process configuration with an eastern bituminous coal. Continued government funding for operations through FY 1984 is too costly relative to higher priority fossil energy activities in this period.

Question: The appropriation for this facility in 1983 was just $750,000. This seems like a very nominal sum compared to the value of the data developed. Though no funds for the Wilsonville facility are provided, what do you believe will be its ultimate fate?

Answer: We believe further proof-of-concept evaluations at Wilsonville, if required, must be left to EPRI and other private sector organizations. EPRI, to our knowledge, has not finalized plans for operating Wilsonville beyond the current DOE/EPRI cofunded operating period ending in January 1984. The individuals responsible for EPRI's program have indicated a desire to continue cofunded operations with DOE beyond this date, and they have been seeking industrial support to augment their cofunding contribution. Based upon their published FY 1984 and outyear planning budget, it is unlikely that EPRI will be able to continue Wilsonville operations beyond the current operating period without Federal support. In the event that sufficient private funding for continued operations is not available, we believe that EPRI will mothball the facility to keep it available for potential future use.

Surface Coal Gasification

Question: Last year, the Department initiated a study to determine the feasibility of making the Homer City, Pennsylvania, Bi-Gas facility into a Federally controlled multi-test facility. What is the current status of that study and what are the preliminary recommendations you can share with the Committee?

Answer: The work completed to date on the proposed Bi-Gas facility transition includes a survey of the industrial sector attitudes about the feasibility and use of a test facility, as well as the preparation of a list of research and development requirements for coal gasification. The preliminary report will include this information and an assessment of the technical feasibility of modifying the existing Homer City pilot plant into a test facility that can meet the test requirements specified by the private sector. The approach being followed in the acquisition and correlation of the data has not resulted in the formation of any recommendations to date. These milestones include the delivery of a preliminary report on May 15, 1983, and a final report, with all supporting material, on August 30, 1983.

Question: When will a final report be available?

Answer: The report in its final form, with all detailed backup material, will be submitted on August 30, 1983. However, sufficient information will be developed to prepare a preliminary report that will be ready for delivery on May 15, 1983. This report will indicate the potential degree of any industrial support and whether or not it is technically feasible to proceed with a test center at the Homer City, Pennsylvania, facility.

Question: What work is currently being done at the facility, when will it be completed, and what work remains to be done if Congress determines to keep it open but not make it a multi-test facility?

Answer: During the period of January through March 1983, the Bi-Gas pilot plant was reactivated for testing. During the period of April through September 1983, a three part test program will be performed using an Illinois No. 6 bituminous coal as the test feedstock. At the end of this test period (October through December), procedures will be initiated to deactivate and mothball the facility. It is currently planned to have the facility in a protected standby condition by December 1983.

The current test program will generate data that will permit the evaluation of the Bi-Gas concept of converting coal into a high-Btu or substitute natural gas when using coals representative of the major coal deposits in the United States (i.e., Western subbituminous, Illinois bituminous, and Eastern agglomerating coals). While it may be possible to define additional studies, it is believed that these data already obtained on the three major coals used provide the private sector with sufficient information to evaluate this concept and to continue its development.

Question: What are the costs associated with continuing such work, and what are the costs now estimated to be if we make it a multi-test facility?

Answer: The costs associated with maintaining the Bi-Gas pilot plant at a development program similar in nature to that performed in previous years is estimated to be between $850,000 to $1,000,000 per month or approximately $10,000,000 per year. However, it is believed that the data already obtained on the testing of three major coals provide the private sector with sufficient information to evaluate this concept and to continue its development. The study being performed to determine the costs of converting the Bi-Gas pilot plant into a test facility has not advanced to the point where the total conversion and operating costs can be determined.

Combustion Systems

Question: What is the current status of the Grimethorpe pressurized-fluidized bed project we have been participating in with Great Britain and West Germany? What work remains to be done in fiscal year 1983 and what work will continue into 1984? Will the U.S. participate in the 1984 program? If not, why not?

Answer: At the current time a new boiler tube bundle is being installed in the combustor. Following this modification, the facility will proceed with the test program by burning United States coal and dolomite to obtain combustion characterization data and information on cyclone performance.

The current test series is part of the original agreement (United States, Federal Republic of Germany and United Kingdom) and thus completes commitments made by each country under the equally funded 60 million pound sterling program ($37 million U.S. share). The U.S. commitment for

the 60 million pound sterling program is fully funded with the FY 1983 funds. These funds are sufficient to complete the scheduled test program in April of 1984 and the final reports by November 1984. The U.S. DOE does not plan to participate in testing beyond the present agreed upon program.

Question: You have reported in your justification that "considerable technology needs to be developed before the risks (of PFB) are reduced to the point industry would be able to initiate the commercial process." What role, if any, can the Grimethorpe project play in the development of such additional technology? What role will others play if activities at Grimethorpe are terminated or greatly reduced?

Answer: Grimethorpe could be used beyond the presently agreed test program to obtain additional information on process operability and control, coal and ash handling, and confirmation of gas cleanup system reliability and performance. However, information which could be obtained from follow-up Grimethorpe operation will also be forthcoming from the Curtiss-Wright pilot plant which is scheduled to begin operations in 1984. In addition, the cost of operating Grimethorpe is estimated to be 12 million pounds sterling annually (about $18 to $20 million). Thus, the cost for U.S. participation could range from about $6 million per year with continuation of present cost-sharing arrangements to approximately $18 million as sole sponsor. Neither the United Kingdom or West Germany has expressed interest in participating in a follow-on program. The project is contacting other nations and private industry to solicit funding for additional testing. Responses to this request, if any, have not been reported by the project's operating contractor.

Other projects which will contribute to the PFB technology data base include the Curtiss-Wright facility, which has the capability for testing critical PFB subsystems such as the gas turbine (integrated operation of the PFB combustor with a gas turbine is an integral part of the facility), advanced hot gas cleanup devices, and alternate coal feed and ash let down systems. In addition to data from the C-W pilot plant, PFB technology test rigs at New York University and CURL would provide combustion characterization, sulfur capture, effect of scale-up, component design, and performance of alternate fuels such as coal/ water slurry, lignite and run of mine coal. The Long Term Materials Test Facility would assess gas turbine corrosion and erosion effects and endurance of in-bed heat exchanger materials in an actual PFB environment.

University Coal Research

Question: Under the University Coal Research program, you have requested $4 million despite the fact that you last year proposed no funds. Why have you reversed yourself since last year?

Answer: We view our FY 1984 budget request in this area as a positive step in the refocusing of Fossil Energy program activities aimed at establishing an adequate scientific and engineering data base which will foster technological advances through private sector initiatives, as well as to remove key uncertainties. In the process of restructuring the program over the past year toward more basic and generic research, it became apparent that it was useful to have a focused university coal research program. Since the university coal research program solicits new proposals on a yearly basis, it is uniquely oriented toward encouraging new research ideas. This provides a dynamic element to the Fossil Energy program that is not easily duplicated in other program activities.

Question: In your opinion, is this program successful in training students in the various disciplines surrounding the development of coal? How successful is it? How can it be improved?

Answer: Yes, the Department believes that the program is successful in this regard. Although the university coal research program does not directly provide funds to students and scientists for training, it does provide funds for research at universities which significantly contributes to their training.

All grants support the research efforts of graduate students. Over 100 students during the past four years have received or are receiving training as coal researchers under this program.

Due to the large number of proposals received each year, a formal procedure for renewing grants has not been established. This has, on occasion, endangered the funding of some graduate students before they have completed degree requirements. Efforts to assure continuity, at least until students complete degree requirements, need to be undertaken. Such efforts are currently underway.

Question: In addition to the University Coal Research program, how much funds from other areas of the Fossil Energy budget go to universities?

Answer: In FY 1983, we project that an additional $20.6 million from other parts of the Fossil Energy program will go to colleges and universities over and above the $2.75 million provided by the university coal research program.

Question: For the record, please provide a list of those universities participating in the program, a description of the research going on at each, and the amount of money associated with each such research activity.

Answer: A list of universities that were awarded grants in FY 1982 follows. The awards for FY 1983 will be made in June 1983.

Active University Coal Research Grants Awarded in FY 1982

University	Project Title	Funding
Auburn University	"Combined Coal and Heavy Resid Processing"	$ 200,000
University of Arizona	"Change in Catalyst Activity During Catalytic Steam Gasification of Char"	22,212
University of Arizona	"Coal Pyrolysis in Flat, Opposed Jet Combustion Configurations"	180,585
University of California	"The Diffusion of Gases in Porous Solids - Simulation and Measurements	177,084
University of California, Riverside	"Novel Analytical Approaches to Study Coal Beneficiation"	249,611
University of Colorado	"Catalyzed Gasification of Coal: Isotope and XPS Studies"	250,000
University of Delaware	"Enhanced Coal Liquefaction by Hydropyrolysis in Supercritical Fluids"	249,984
University of Illinois	"Transport and Relaxation Processes in Supercritical Fluids"	193,501
Southern Illinois University	"Laser Induced Coal Fluorescence"	249,859

Active University Coal Research Grants Awarded in FY 1982

University	Project Title	Funding
Southern Illinois University	"Gasification Reactivities of Coal and Coal Chars"	237,630
Purdue University	"New Mass Spectral Methods for Coal Characterication"	249,400
Purdue Research Foundation	"CO + H_2 Reactions over Nitrogen-Modified Iron Catalysts"	226,908
University of Massachusetts, Amherst	"Acid Catalyzed Depolymerization of Coal by Hydride Donors"	168,363
University of Minnesota	"In Situ Small Angle X-ray Studies of Coal Gasification"	160,269
Princeton University	"Elementary Processes in Combustion and Sooting of Coal-Derived Fuels"	208,181
Duke University	"Reaction Calorimetry for Coal Chemistry and Catalysis"	247,447
University of North Dakota	"The Catalysis Mechanism of Coal Liquefaction by H_2S"	199,952
Carnegie-Mellon University	"Combustion Mechanisms of Coal-Water-Oil Mixture"	79,718
Lehigh University	"Determination of the Surface Reactivity of Coal Powders"	248,825
University of Pittsburgh	"Promotion Effects on the Synthesis of Higher Alcohols"	248,818
Rice University	"High P/T Phase and Volumetric Behavior of Coal Liquid Constituents"	204,433
Brigham Young University	"Metal Boride Catalysts for Indirect Liquefaction"	196,898
University of Utah	"Carbon-13 NMR Study of Separated Macerals from Western Coals"	239,254
West Virginia University	"Effects of Stresses on Optical and Chemical Properties of Coals"	249,763

Oil Shale

Question: For fiscal year 1984, you have proposed an oil shale research budget of $8,600,000, a reduction of 30 percent from the 1983 level of $12,250,000. Will this request permit a resumption of efforts to develop a technical base which will make possible the improvement of present processes and the development of second generation processes?

Answer: The request of $8,600,000 includes $4,300,000 for technology base research that will sustain a viable program of generic research in this category through a cooperative agreement with the University of Wyoming Research Corporation. This cooperative agreement will lead to the development of a data base from which new or improved processes might be developed. Planned research in chemistry and physics includes modeling

to improve the definition of chemical and physical process parameters of surface and in situ retorting, modeling of the flow parameters in non-uniform rubble, organic hydrogen definition, kerogen decomposition, hydrogen reactivity indicators, coking kinetics, and realtime retort analysis. Research related to oil shale fragmentation will include studies of low void ignition and low void oil yields, gas tracer analysis and interpretation, and rock mechanics.

The $4,300,000 for environmental mitigation research includes laboratory-scale evaluation of the potential for reducing environmental waste streams through new process concepts such as supercritical fluid extraction and use of the sulfur trioxide-water reaction to supply process heat (under investigation by the University of Wyoming Research Corporation), and a twin-bed retort/combustor concept for eastern shales (being evaluated at the Morgantown Energy Technology Center). This category of research also includes the evaluation of various unit process concepts for cleaning waste streams and the determination of the most effective ways of combining such unit processes to reduce overall emissions at the least cost.

Question: What level of support for a gravity-flow retort will this request allow?

Answer: No funds were included in this request for support of Lawrence Livermore National Laboratory's (LLNL) gravity-flow retort concept. We believe that other work planned for LLNL is of higher priority.

Question: What portion of the oil shale request is dedicated to support of the Laramie Energy Technology Center?

Answer: The present estimate of FY 1984 oil shale program funds to support the recently negotiated cooperative agreement with the University of Wyoming Research Corporation for operation of the Center is $6,089,000.

Question: How much of the oil shale environmental mitigation request of $4,300,000 is for required environmental compliance at past and present DOE research sites?

Answer: Based upon past knowledge, $500,000 will be allocated to environmental compliance activities in FY 1984 at the various Wyoming sites. An estimated $200,000 will be required for studies of the waste shale pile at Anvil Points and for control of runoff or leachate from the pile including replacement of a pond liner.

Question: Please provide for the record a list of the sites that require environmental compliance.

Answer: The list of past and present sites requiring environmental compliance is as follows:

Site	Requirements	
	Current	Projected
Rock Springs In Situ Site	o Completion of hydrology section of R&D license. Requires correction and organization of all past hydrologic data. FE environmental data info system (EDIS). o Continued groundwater quality monitoring (contract in place). o Minor reseeding of unsuccessful areas as needed.	o Extensive hydrogeologic investigation to assess transmissivities etc. (USGS may have some of this). o Interception, removal and treatment of contaminated groundwater.
Talley Energy Site	o Reclamation of the surface of the site (contract in place). o Location and survey of old wells. o Monitoring of well which leaked in the past - now resealed - monitor to assure no further leakage.	o Possibly some work on groundwater cleanup. State still deciding.
Geokinetics Contract	o Environmental permit liaison with state of Utah and NEPA affairs within Fossil Energy.	o As work continues and impact identified, there is potential for additional compliance.
Pollution Abatement	o The DOE requires a semi-annual or annual pollution abatement report at which time LETC reports non-compliance at any field site under its purview with environmental, safety and/or health laws, rules and regulations.	
Anvil Points		
Shale Piles	o DOE is committed to ensure that no adverse environmental impacts occur.	o Ongoing R&D could become mandatory as mitigation and monitoring may be dictated by the State of Colorado. o Worse case scenario: mandatory relocation of the spent shale dump.

Site	Requirements	
	Current	Projected
Groundwater Monitoring Wells	o None	o Ongoing R&D could become mandatory in those existing wells below the shale piles. o Additional wells would likely be required above, below, and under the existing piles and above the Garfield County Landfill located in the same drainage.
Shale Pile Lysimeters	o None	o Necessary in spent shale research pile and in the existing shale piles.
Shale Oil Tank Farm	o Tank farm is out of compliance with 40 CFR 112 Oil Pollution Prevention Rules and Regulations. Dikes and berms do not meet minimum standards. The underdrain system has collapsed. No regular program of maintenance and inspection has been carried out.	o Same
Reclamation	o None	o During periods of inactive mining those areas subject to erosion or other degradation must be reclaimed. Abandoned structures of no future use must be removed. All entrances to the mine must be temporarily closed to prevent access, including ventilation exits. Access to the mine road must be better controlled.
Solid and Hazardous Waste	o Full compliance with RCRA, TSCA, and state and local regulation for the storage, treatment, and disposal of waste oils, chemicals, etc.	o Same
North Site Facilities		
Solid and Hazardous Waste	o Full compliance with RCRA, TSCA, and state and local regulation for the storage, treatment, and disposal of waste oils, chemicals, etc.	o Same

Site	Requirements	
	Current	Projected
Permits	o The DOE currently has five active operating permits issued by the EPA and State of Wyoming. These permits must be closed out or transferred to the University of Wyoming Research Corporation. Close out will require the disposal of hazardous and non-hazardous wastes.	o None

Question: Is Fossil Energy involved or have access to environmental monitoring data associated with the Union Oil Shale project which should be operational later this year?

Answer: Fossil Energy, working through the SFC, has contacted Union Oil Corporation with respect to obtaining samples of all product and waste streams and associated environmental monitoring data at the Union Oil Shale project. Union Oil Shale and Fossil Energy have agreed upon procedures and will exchange research and monitoring plans in the near future. It is anticipated that all critical information from an environmental perspective will be collected and analyzed.

Question: The justification indicates that it is important to restimulate industrial interest in developing in situ oil shale technologies because of the potential such technologies have for reducing environmental impacts while increasing total resource utilization. In your opinion, will the level of effort reflected for oil shale technology help to restimulate interest in in situ technology?

Answer: Technical results from industrial development research, in which DOE participated, during the past year and the improved economic climate have led to restimulation of industry interest and selection by the SFC of two in situ projects for Phase II negotiations. These two projects have passed both SFC financial maturity and technical strength evaluations. The urgency of DOE research in this area is therefore reduced, although we continue to maintain a long-range generic component of our program in this area through the University of Wyoming Research Corporation agreement. We now propose to postpone further work in the very expensive category of large-scale explosive fracture experiments.

Question: Does the FY 1984 request include funds to continue research on development of eastern shales? If so, how much? If not, why not?

Answer: The requested funds would provide for continuation of a modest in-house research effort on eastern shales by the Morgantown Energy Technology Center (METC), as well as some of the work planned by the University of Wyoming Research Corporation in the area of rock mechanics of eastern shales. Also, METC will be monitoring the completion of research on two novel eastern shale process concepts under prior year funded contracts. The estimated funds to be allocated to eastern shale research is approximately $250,000.

Object Class Data

Question: Finally, please provide for the record a summary of requirements by object class for each of Fossil Energy's budget line items.

Answer: The object class data requested is provided in the attached tables. It is important to note that this data reflects a different distribution of object class amounts than was set forth in the FY 1984 President's Budget Appendix. The attached estimates are based upon more recent information including the results obtained from the detailed analysis of indirect costs at the Energy Technology Centers. This data provides a more accurate distribution of Fossil Energy costs by object class and is consistent with other material recently provided to the Committee.

Fossil Energy Budget Line Item by Object Class
(dollars in thousands)

Appropriation: Fossil Energy R&D

Budget line item: Summary

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	738	35,235	561	19,578	-177	-15,657
11.3 Other than full-time permanent	52	352	30	1,421	-22	+1,069
11.5 Other personnel compensation						
11.9 Total personnel compensation	790	35,587	591	20,999	-199	-14,588
12.1 Personnel benefits - civilian		3,378		1,880		-1,498
13.0 Benefits for former personnel		781		562		-219
21.0 Travel & trans. of persons ...		2,713		2,198		-515
22.0 Transportation of things		202		101		-101
23.2 Comm., util., and other rents		4,531		4,009		-522
24.0 Printing and reproduction		526		472		-54
25.0 Other services		275,531		91,581		-183,950
26.0 Supplies and materials		4,607		3,829		-778
31.0 Equipment		1,858		1,500		-358
32.0 Lands and structures		29,842		5,040		-24,802
41.0 Grants, subsidies and contributions		12,860		5,829		-7,031
Total, direct obligations ..	790	372,416	591	138,000	-199	-234,416

Budget line item: Control Technology and Coal Preparation

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	41	1,573	25	847	-16	-726
11.3 Other than full-time permanent	4	154	3	88	-1	-66
11.5 Other personnel compensation						
11.9 Total personnel compensation	45	1,727	28	935	-17	-792
12.1 Personnel benefits - civilian		153		77		-76
13.0 Benefits for former personnel		38		30		-8
21.0 Travel & trans. of persons ...		102		51		-51
22.0 Transportation of things		14		9		-5
23.2 Comm., util., and other rents		137		16		-121
24.0 Printing and reproduction						
25.0 Other services		24,993		10,103		-14,890
26.0 Supplies and materials		342		294		-48
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	45	27,506	28	11,515[1/]	-17	-15,991

1/ The FY 1984 Congressional budget request includes $17,050,000 in this line item. $5,535,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Advanced Research and Technology Development

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	44	1,689	31	1,004	-13	-685
11.3 Other than full-time permanent	3	115	2	59	-1	-56
11.5 Other personnel compensation						
11.9 Total personnel compensation	47	1,804	33	1,063	-14	-741
12.1 Personnel benefits - civilian		160		80		-80
13.0 Benefits for former personnel		41		36		-5
21.0 Travel & trans. of persons ...		107		60		-47
22.0 Transportation of things		21		18		-3
23.2 Comm., util., and other rents		137		23		-114
24.0 Printing and reproduction		99		-		-99
25.0 Other services		17,302		10,437		-6,865
26.0 Supplies and materials		388		399		+11
31.0 Equipment		1,858		1,500		-358
32.0 Lands and structures		4,781		5,040		+259
41.0 Grants, subsidies and contributions		12,860		5,829		-7,031
Total, direct obligations ..	47	39,558	33	24,485[1/]	-14	-15,073

1/ The FY 1984 Congressional budget request includes $6,045,000 in this line item. $6,045,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Coal Liquefaction

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	83	3,185	55	1,799	-28	-1,386
11.3 Other than full-time permanent	4	153	3	88	-1	-65
11.5 Other personnel compensation						
11.9 Total personnel compensation	87	3,338	58	1,887	-29	-1,451
12.1 Personnel benefits - civilian		297		146		-151
13.0 Benefits for former personnel		74		63		-11
21.0 Travel & trans. of persons ...		198		106		-92
22.0 Transportation of things		41		8		-33
23.2 Comm., util., and other rents		251		36		-215
24.0 Printing and reproduction						
25.0 Other services		41,221		8,019		-33,202
26.0 Supplies and materials		461		651		+190
31.0 Equipment						
32.0 Lands and structures		31,380		-		-31,380
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	87	77,261	58	10,916[1/]	-29	-66,345

1/ The FY 1984 Congressional budget request includes $17,000,000 in this line item. $6,084,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Combustion Systems

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	32	1,228	20	655	-12	-573
11.3 Other than full-time permanent	2	77	2	59	-	-18
11.5 Other personnel compensation						
11.9 Total personnel compensation	34	1,305	22	714	-12	-591
12.1 Personnel benefits - civilian		116		56		-60
13.0 Benefits for former personnel		30		24		-6
21.0 Travel & trans. of persons ...		78		41		-37
22.0 Transportation of things		14		4		-10
23.2 Comm., util., and other rents		103		14		-89
24.0 Printing and reproduction						
25.0 Other services		24,628		4,517		-20,111
26.0 Supplies and materials		296		252		-44
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	34	26,570	22	5,622[1/]	-12	-20,948

1/ The FY 1984 Congressional budget request includes $8,400,000 in this line item. $2,778,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Fuel Cells

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	7	269	5	159	-2	-110
11.3 Other than full-time permanent						
11.5 Other personnel compensation						
11.9 Total personnel compensation	7	269	5	159	-2	-110
12.1 Personnel benefits - civilian		24		13		-11
13.0 Benefits for former personnel		6		5		-1
21.0 Travel & trans. of persons ...		16		9		-7
22.0 Transportation of things		18		7		-11
23.2 Comm., util., and other rents		23		4		-19
24.0 Printing and reproduction						
25.0 Other services		35,146		7,772		-27,374
26.0 Supplies and materials		368		63		-305
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	7	35,870	5	8,032[1/]	-2	-27,838

1/ The FY 1984 Congressional budget request includes $9,500,000 in this line item. $1,468,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Heat Engines

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	6	231	3	98	-3	-133
11.3 Other than full-time permanent	1	38	1	29	-	-9
11.5 Other personnel compensation						
11.9 Total personnel compensation	7	269	4	127	-3	-142
12.1 Personnel benefits - civilian		24		10		-14
13.0 Benefits for former personnel		6		4		-2
21.0 Travel & trans. of persons ...		16		7		-9
22.0 Transportation of things		7		-		-17
23.2 Comm., util., and other rents		23		2		-21
24.0 Printing and reproduction						
25.0 Other services		9,805		301		-9,504
26.0 Supplies and materials		61		42		-19
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	7	10,211	4	493[1/]	-3	-9,718

1/ The FY 1984 Congressional budget request includes $1,000,000 in this line item. $507,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Underground Coal Gasification

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	7	269	1	32	-6	-237
11.3 Other than full-time permanent						
11.5 Other personnel compensation						
11.9 Total personnel compensation	7	269	1	32	-6	-237
12.1 Personnel benefits - civilian		24		3		-21
13.0 Benefits for former personnel		6		1		-5
21.0 Travel & trans. of persons ...		16		2		-14
22.0 Transportation of things		3		2		-1
23.2 Comm., util., and other rents		23		1		-22
24.0 Printing and reproduction						
25.0 Other services		6,046		1,738		-4,308
26.0 Supplies and materials		41		21		-20
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	7	6,428	1	1,800 1/	-6	-4,628

1/ The FY 1984 Congressional budget request includes $2,000,000 in this line item. $200,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Magnetohydrodynamics

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	4	154	-	-	-4	-154
11.3 Other than full-time permanent						
11.5 Other personnel compensation						
11.9 Total personnel compensation	4	154	-	-	-4	-154
12.1 Personnel benefits - civilian		14		-		-14
13.0 Benefits for former personnel		3		-		-3
21.0 Travel & trans. of persons ...		9		-		-9
22.0 Transportation of things		15		-		-15
23.2 Comm., util., and other rents		11		-		-11
24.0 Printing and reproduction						
25.0 Other services		28,502		-		-28,502
26.0 Supplies and materials		355		-		-355
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	4	29,063	-	-	-4	-29,063

Budget line item: Surface Coal Gasification

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	48	1,840	26	863	-22	-977
11.3 Other than full-time permanent	4	156	3	88	-1	-68
11.5 Other personnel compensation						
11.9 Total personnel compensation	52	1,996	29	951	-23	-1,045
12.1 Personnel benefits - civilian		177		70		-107
13.0 Benefits for former personnel		44		32		-12
21.0 Travel & trans. of persons ...		118		53		-65
22.0 Transportation of things		20		8		-12
23.2 Comm., util., and other rents		148		18		-130
24.0 Printing and reproduction						
25.0 Other services		41,537		8,669		-32,868
26.0 Supplies and materials		478		315		-163
31.0 Equipment						
32.0 Lands and structures		-6,319		-		+6,319
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	52	38,199	29	10,116[1/]	-23	-28,083

1/ The FY 1984 Congressional budget request includes $16,900,000 in this line item. $6,784,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Gas

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	12	460	4	127	-8	-333
11.3 Other than full-time permanent						
11.5 Other personnel compensation						
11.9 Total personnel compensation	12	460	4	127	-8	-333
12.1 Personnel benefits - civilian		41		11		-30
13.0 Benefits for former personnel		10		4		-6
21.0 Travel & trans. of persons ...		27		7		-20
22.0 Transportation of things		7		-		-7
23.2 Comm., util., and other rents		34		2		-32
24.0 Printing and reproduction		4		-		-4
25.0 Other services		13,254		3,587		-9,667
26.0 Supplies and materials		170		42		-128
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	12	14,007	4	3,780[1/]	-8	-10,227

1/ The FY 1984 Congressional budget request includes $5,000,000 in this line item. $1,220,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Petroleum

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	74	2,840	1	32	-73	-2,808
11.3 Other than full-time permanent	11	422	-	-	-11	-422
11.5 Other personnel compensation						
11.9 Total personnel compensation	85	3,262	1	32	-84	-3,230
12.1 Personnel benefits - civilian		290		3		-287
13.0 Benefits for former personnel		72		1		-71
21.0 Travel & trans. of persons ...		194		2		-192
22.0 Transportation of things		14		-		-14
23.2 Comm., util., and other rents		252		1		-251
24.0 Printing and reproduction		8		-		-8
25.0 Other services		21,422		20,235		-1,187
26.0 Supplies and materials		291		20		-271
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	85	25,805	1	20,294[1/]	-84	-5,511

1/ The FY 1984 Congressional budget request includes $22,750,000 in this line item. $2,456,000 has been designated for ETC program direction and is included in the ETC program direction exhibit.

Budget line item: Headquarters Program Direction

Direct Obligations:	FY 1984 Base FTE	FY 1984 Base Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	131	9,495	125	6,150	-6	-3,345
11.3 Other than full-time permanent	4	352	5	288	+1	-64
11.5 Other personnel compensation						
11.9 Total personnel compensation	135	9,848	130	6,438	-5	-3,410
12.1 Personnel benefits - civilian		1,090		747		-383
13.0 Benefits for former personnel		209		78		-131
21.0 Travel & trans. of persons ...		791		597		-194
22.0 Transportation of things						
23.2 Comm., util., and other rents						
24.0 Printing and reproduction						
25.0 Other services						
26.0 Supplies and materials						
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations ..	135	11,938	130	7,860	-5	-4,077

Budget line item: ETC Program Direction

Direct Obligations:	FY 1984 Base[1/] FTE	FY 1984 Base[1/] Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc (+) or Dec. (-) FTE	Inc (+) or Dec. (-) Amount
11.0 Personnel compensation:						
11.1 Full-time permanent	249	10,114	265	8,212	+16	-1,902
11.3 Other than full-time permanent	19	772	11	322	-8	-450
11.5 Other personnel compensation						
11.9 Total personnel compensation	268	10,886	276	8,534	+8	-2,352
12.1 Personnel benefits - civilian		968		664		-304
13.0 Benefits for former personnel		242		284		+42
21.0 Travel & trans. of persons		1,041		1,263		+222
22.0 Transportation of things		28		45		+17
23.2 Comm., util., and other rents		3,389		3,892		+503
24.0 Printing and reproduction		415		472		+57
25.0 Other services		11,675		16,203		+4,528
26.0 Supplies and materials		1,356		1,730		+374
31.0 Equipment						
32.0 Lands and structures						
41.0 Grants, subsidies and contributions						
Total, direct obligations	268	30,000	276	33,087	+8	+3,087

1/ Amounts estimated for the FY 1984 Base include funding and FTE's for ETC program direction during three-fourths of FY 1983.

Program and Financing
(in thousands of dollars)

Identification code 89-0213-0-1-271	1982 actual	1983 est.	1984 est.
Program by activities:			
1. Coal	368,463	290,667	72,979
2. Petroleum	39,419	25,805	20,294
3. Enhanced gas recovery	13,041	14,007	3,780
4. Program direction	12,160	11,937	7,860
5. Program direction - Etc's	...	30,000	33,087
Total obligations	433,083	372,416	138,000

Object Classification
(in thousands of dollars)

Identification code 89-0213-0-1-271		1982 actual	1983 est.	1984 est.
	Personnel compensation:			
11.1	Full-time permanent	37,234	35,235	19,578
11.3	Other than full-time permanent	113	352	1,421
11.5	Other personnel compensation	90		
11.9	Total personnel compensation	37,437	35,587	20,999
12.1	Personnel benefits: Civilian	3,840	3,378	1,880
13.0	Benefits for former personnel	363	781	562
21.0	Travel & trans. of persons	2,149	2,713	2,198
22.0	Transportation of things	193	202	101
23.2	Comm., util., and other rents	1,878	4,531	4,009
24.0	Printing and reproduction	67	526	472
25.0	Other services	316,087	275,531	91,581
26.0	Supplies and materials	4,303	4,607	3,829
31.0	Equipment	6,605	1,858	1,500
32.0	Lands and structures	51,614	29,842	5,040
41.0	Grants, subsidies and contributions	8,547	12,860	5,829
99.9	Total obligations	433,083	372,416	138,000

Personnel Summary

Total number of full-time permanent postions	919	558	561
Total compensable workyears:			
Full-time equivalent employment	1,140	740	591
Full-time equivalent of overtime and holiday hours	6	5	5
Average ES salary	$58,165	$63,800	$63,800
Average GS grade	11.24	11.23	11.23
Average GS salary	$30,614	$31,532	$32,500
Average salary upgraded positions	$23,299	$23,998	$24,700

Questions Submitted by Senator Jake Garn

Fuel Cells

Question: The Department has recently asked the world leader in fuel cell technology to agree to contract language which states that a narrow technology development program constitutes "in its entirety all identified remaining high-risk technology development on the . . . cell and stack prerequisite to commercialization by the contractor."

-- Does the Department seriously propose to define all remaining high-risk fuel cell technology issues by artificial contract language?

Answer: The Department does not propose to define all remaining high-risk fuel cell technology issues by artificial contract language. A clear distinction must be drawn, however, between "high-risk" technologies and engineering demonstrations of more mature technologies. The solid oxide and molten carbonate fuel cell systems fall in the former category, while phosphoric acid systems--with the Consolidated Edison and Japanese 4.8 Mw plants either already in operation or shortly to be in operation--belong in the latter. It is logical to expect that as any technology advances to the stage of qualification testing of commercial prototypes or preprototypes, contract language relating to the respective obligations of the Federal and private sector should and must change. Contractual requirements must be more strictly defined and the private sector must assume a greater share of the costs as well as the direction if commercial application is to occur. The phosphoric acid fuel cell contracts reflect this policy, which we believe is sound and in the best interest of the country.

Question: Can you assume that the proposed approaches for this high-risk technology will necessarily work?

Answer: The major problems with the phosphoric acid systems relate to capital costs. There is little or no question about the fundamental concept--it's been under continuous development for many years. The job now is cost reduction in manufacturing methods, materials, and system designs. The Government is taking an appropriate role in this area and the work is being funded with a reasonable expectation of success.

Question: Doesn't your proposed contract language merely reflect the artificial constraints of the budget rather than a sophisticated understanding of technological evolution?

Answer: As stated previously, the contract language is required to clearly delineate between the Federal and private sector responsibilities and does not merely reflect budgetary constraints. We believe the substantial investment made by the Federal and private sector over the years for phosphoric acid fuel cells has advanced the technology to a stage where the private sector must assume greater responsibility if commercial application is to succeed.

Question: If the Department were serious about sustaining the technology to the point where the private sector could assume the full risks of commercialization, wouldn't it abandon the crude capping mechanism of the proposed contract language?

Answer: The Department has sustained and advanced the technology to a point where we believe it would be possible and appropriate for the private sector to commercialize the phosphoric acid fuel cell technology in the very near term. The specific contractual language in question is intended to clarify the Department's viewpoint and encourage private

sector initiatives. In fact, United Technologies Corp. (UTC) has apparently had some success in obtaining a venture partner in this area.

Question: Why has the "capping" language been imposed in a discriminatory fashion against the leading contractor when such language is not included in the contracts with other participants in the fuel cell program?

Answer: The language was introduced in recognition of the relative maturity of the leading contractor's technology. Such language, we believe, would be appropriate to other participants in the fuel cell program when they attain a comparable level of technical maturity.

Questions Submitted by Senator John C. Stennis

Magnetohydrodynamics

In the 1983 Appropriations Bill, the Congress requested the Department of Energy to evaluate and study the need for MHD. The report is due to Congress in May. It seems premature to make a judgment now on the merits of MHD. I believe work should continue until this process is fully proven.

I ask unanimous consent that the following questions be included in the record for answering by the witness:

Question: Mr. Mares, in fiscal year 1983 the Administration requested no funding for the Magnetohydrodynamics (MHD) program, isn't that correct?

Answer: It is correct that the Administration requested no funds for MHD in FY 1983.

Question: The Congress provided a total of $29 million for MHD research in fiscal year 1983 in the Department of the Interior and Related Agencies Appropriation Bill. So, it would seem that Congress has indicated its interest in seeing this technology go forward. Secretary Hodel's letter of March 31, 1983, indicates, however, that the Department plans to initiate termination of the MHD program no later than May 1, 1983. What authority does the Department have to initiate this program termination in the absence of specific Congressional approval?

Answer: The Department is continuing MHD technology development in FY 1983 consistent with the FY 1983 Congressional appropriation of $29 million. The Department does not plan to initiate termination actions without proper advance notification to Congress. A formal notice of the Department's intent to terminate the MHD program was submitted to Congress as part of a deferral message which was transmitted by the President to Congress on April 21, 1983. We will continue to maintain program activities until Congress is given ample opportunity to respond to the deferral message.

Question: It is my understanding that you requested no funding for MHD when you developed your fiscal year 1984 budget request, nor did the Office of Management and Budget include any funding for this program. Why have no funds been requested, and why are you planning to terminate this program in less than two weeks?

Answer: MHD is one of several advanced electric power systems being developed by the Department's Office of Fossil Energy (the other technologies being fuel cells, fluidized bed systems, and combined cycle gas turbine systems). All of the advanced systems under development have the potential of increasing efficiency, reducing cost, and improving the environmental performance of current coal-based, power generation systems. Some of the

other technologies (e.g., fluidized bed systems) are at a more mature development stage and should be available earlier than MHD systems and at lower development costs.

In view of our country's need to limit government expenditures and to allocate available resources in a responsible manner, the commitment of the required resources to bring MHD to commercial readiness is very difficult to justify. As a result, the Administration has not requested any funding for MHD in its FY 1984 budget request. We will, however, continue current programmatic activities until Congress has had the opportunity to respond to our deferral message.

Question: The Secretary's letter indicates that other technology alternatives to MHD are being developed for utility use. What are these other alternatives?

Answer: As stated in the previous answer, the alternatives are fuel cells, fluidized bed systems, and combined cycle gas turbine systems.

Question: Given the substantial funding cuts in these other technology areas, is it really possible to consider them readily available alternatives for utility power generation?

Answer: Some of these other technologies already have private sector financial support and will not require a government investment as large as that needed for MHD to get them to the point of commercial readiness. In addition, several of these technologies have already reached a more mature stage in their technological development than MHD.

Question: Also, it seems to me that your proposal to eliminate MHD research is shortsighted and inconsistent with this Administration's announced view of the federal role in energy research. If MHD is long-term and high-risk and also expensive to develop does it make sense to expect that the private sector will develop this technology on its own?

Answer: It is not possible for the Federal Government to fund the development of all potentially promising technologies. Difficult choices sometimes have to be made with regard to funding priorities. In view of our country's need to limit government expenditures and allocate available resources in a responsible manner, the commitment of the required resource to bring MHD to commercial readiness is very difficult to justify. As a result, the Administration has not requested any funding for MHD in its FY 1984 budget request. Therefore, if the program is continued beyond FY 1983, it would have to be pursued as a private sector initiative. However, given the high-risk and cost associated with MHD development, we do not anticipate that this private initiative will actually materialize at this time.

Question: Then, why does the Secretary's letter suggest that the development and demonstration of MHD technology "will become the responsibiity of private industry." And why does the letter further suggest that the MHD facilities will be made available to industry groups for conducting MHD research? Doesn't it seem unlikely that the private sector will commercialize this technology on its own? So the Secretary's letter is misleading, then, isn't it?

Answer: No, the Secretary's letter is not misleading. While it is unlikely that the private sector will pursue MHD development on its own as this time, continued development (if it continues) will be their responsibility. The Department would certainly encourage any private sector initiatives that may develop. One way of supporting such initiatives

would be to make existing government-owned MHD test facilities available to interested industrial groups.

Question: May I have your assurances that the Department will initiate no actions that would slow the research pace of the MHD program without prior approval from the Senate Appropriations Committee?

Answer: The Department will continue to conduct the MHD program consistent with the FY 1983 Congressional appropriation, and we will continue to do so until the Congress has had ample opportunity to respond to our deferral message.

Control Technology and Coal Preparation

Question: Over the past several years the Department has conducted at the Grand Forks Energy Technology Center a research program on the utilization of low rank coals, such as lignite. Now that the Grand Forks Energy Technology Center is being transferred to the University of North Dakota, will the research program on low rank coals continue, and, if so, at what funding level and how does this funding level compare with funding in prior years?

Answer: Yes, the research program on low rank coals will be continued at the University of North Dakota Energy Research Center (UNDERC) for at least three years. The three-year effort began as of April 1983, and will continue into 1986. The contract at UNDERC for this work can be renewed for continuing the work after the initial three-year effort. In addition to the UNDERC research effort, the DOE project office at Grand Forks, North Dakota, will be conducting research on lignites over and above what UNDERC will be doing.

The funding levels projected for the three years are as follows:

FY 1983 - $7,300,000
FY 1984 - $6,985,000
FY 1985 - $6,600,000

The FY 1980-1982 average annual cost for in-house research on utilization of low rank coal was approximately $7.2 million or about the same as FY 1983. While the amounts shown in FY 1984 and FY 1985 reflect a decrease, they represent only the DOE share and do not include potential work to be performed for other organizations.

Questions Submitted by Senator Robert C. Byrd

FY 1984 Budget Request

Question: Mr. Mares, the Administration's fiscal year 1984 budget request for Fossil Energy is $94 million in new budget authority with an additional $44 million to be available from prior year unobligated balances, isn't that correct?

Answer: Yes, that is correct. The Department's FY 1984 budget request is for $94 million in new budget authority. The Department will also have available to it an additional $44 million from prior year unobligated balances. A deferral request for $31 million of prior year Fossil Energy R&D and construction funds has already been transmitted to Congress and I anticipate that a deferral request for an additional $13 million of prior year Alternate Fuel Production funds will be ready for transmittal in the near future.

Question: Would you please identify the source of these unobligated balances for the record?

Answer: The following table identifies the source of the additional $44 million by specific project and the amount of the deferral associated with it.

FOSSIL ENERGY FY 1983 PROPOSED DEFERRALS

Project	Amount
High-Btu Pipeline (A)	$ 15,224,600
High-Btu Pipeline (B)	900,000
PETC Progam Support	2,875,400
Direct Combustion Demo	2,000,000
SRC-II	5,000,000
Total Fossil Construction	$ 26,000,000
Technology Support	$ 41,391
Program Direction	3,115,472
SRC-II Demo	1,000,000
High-Btu Pipeline	7,982
Low/Medium-Btu Fuel Gas Industrial	23,724
Low-Btu Fuel Gas Small Industrial	177,163
Low-Btu Fuel Gas Utility	634,268
Total Fossil R&D	$ 5,000,000
Total Currently Proposed for Deferral	$ 31,000,000

The remaining $13 million that will be proposed for deferral in the coming months is to be transferred from other appropriated funds, specifically, Alternate Fuels Production. This will bring the total available unobligated balances to the $44 million figure.

Formulation of Budget Request

Question: The fiscal year 1983 Fossil Energy program level is $311.4 million and the fiscal year 1984 request which you developed last spring and summer totaled $250 million in new budget authority I am told. Would you please highlight briefly and more fully for the record the most significant programmatic differences between what Congress provided for fiscal year 1983, what you originally required for fiscal year 1984, and what the Office of Management and Budget finally recommended for next year?

Answer: In the Control Technology and Coal Preparation activity there are no significant programmatic differences between the FY 1983 appropriation and Fossil Energy's (FE) FY 1984 Internal Review budget request. The differences between the FY 1983 appropriation and FE's FY 1984 Congressional budget are: (1) in the area of gas stream cleanup, efforts will be redirected to pursue only the most promising concepts at laboratory scale; (2) in the area of cleanup base technology, ongoing FY 1983 contractual efforts will be completed and the waste characterization data base and RCRA impact assessment will be compiled; and (3) in the coal preparation area, the level of effort will be reduced in the areas of chemical coal cleaning, fine size physical cleaning, and other ancillary operations.

In the Advanced Research and Technology Development activity, the significant programmatic difference is between the FY 1983 appropriation of

$10.6 million and the FY 1984 Congressional budget of $4.8 million in the area of direct utilization. Projects directed at new and improved methods of coal combustion will continue, but at a reduced level. In addition, no work will be conducted on new material catalysts and electrolytes for fuel cell systems; coal-ash behavior and improved downstream processing techniques; or peat dewatering, harvesting and wet carbonization.

Within the Coal Liquefaction activity, indirect liquefaction was reduced from a FY 1983 appropriation of $12.6 million to the FY 1984 Congressional budget of $4.0 million. The programmatic difference between these amounts is the termination of funding for the liquid phase methanol PDU project and the reduction in investigations of advanced concepts involving new catalysts and reactor designs. In the area of process research/technology development, the increase of $8.2 million between the FY 1983 appropriation and FE's FY 1984 Internal Review budget is primarily due to increased funding for proof-of-concept testing at Wilsonville of advanced liquefaction processes and slurry catalyst process development. The FY 1984 Congressional budget phases out these two projects.

In the Combustion Systems activity, the AFB technology development area reflects an increase from a FY 1983 appropriation of $0.65 million to the FY 1984 Internal Review budget request of $2.5 million. The increase would support continuation of AFB technology base activities. This area was reduced to zero in FE's FY 1984 Congressional budget request. The AFB advanced concepts program was also reduced from FY 1983 levels so that only one or two of the previously studied concepts would be further developed. The PFB combined cycle pilot plant was reduced from a FY 1983 appropriation of $5.5 million to zero in both the FY 1984 Internal Review budget and FY 1984 Congressional budget reflecting the completion of the government's financial participation in the projects. In the area of PFB support/IEA, the decrease of $4.1 million between the FY 1983 appropriation and the FY 1984 Congressional budget reflects completion of the Grimethorpe project. In the area of alternative fuel utilization, the FY 1984 Internal Review budget request was $8.6 million, an increase of $4.6 million over the FY 1983 appropriation. The FY 1984 Congressional budget maintains the FY 1983 level of $4.0 million. In the advanced combustion technology area, the programmatic difference between the FY 1983 appropriation of $3.0 million and the FY 1984 Congressional budget request of zero is the completion of research in FY 1983 to provide a data base which industry can use to bring the technology to commercial readiness.

Within the Fuel Cells activity, the most significant programmatic difference in the advanced concept program between the FY 1983 appropriation of $5.0 million, the FY 1984 Internal Review budget of $2.0 million, and the FY 1984 Congressional budget at $1.5 million is the proposed termination of the thermionics program. The decrease of $5.5 million between FE's FY 1984 Internal Review budget and the FY 1984 Congressional budget in the molten carbonate systems development area will not provide the initiation of DOE support of the integrated program (EPRI) for molten carbonate internal reforming fuel cell technology. Within the phosphoric acid systems development area, the FY 1983 appropriation provided funding for the 4.8 MW powerplant and the 40 kw on-site program. The FY 1984 Internal Review budget request and the Congressional budget phases out government support of these two projects. In addition, the FY 1984 Congressional budget further reduces the scope of the electric utility systems program.

The level of funding in the Heat Engines activity in the FY 1983 appropriation and the FY 1984 ASFE request are relatively the same. The Heat Engines activity was reduced from a FY 1983 appropriation of $5.0 million to a FY 1984 Congressional budget of $1.0 million. This reflects the planned completion of technology base efforts initiated in FY 1982-1983 and preparation of final reports.

Within the Underground Coal Gasification activity, the reduction from $6.0 million in FY 1983 to $2.0 million in both the FY 1984 budget requests is due to the termination of technology development work and the completion of the cost-shared proof-of-concept test of the Controlled Retracting Injection Point (CRIP) concept.

In Magnetohydrodynamics (MHD), no funds are requested in FY 1984 for continuing the development and demonstration of MHD. The program will be phased-out and ongoing efforts brought to an orderly conclusion.

Within the Surface Coal Gasification activity, the significant programmatic difference in the gasifier systems area between the FY 1983 appropriation of $21.25 million, the FY 1984 Internal Review budget of $12.4 million, and the FY 1984 OMB recommendation and Congressional budget of $3.9 million is the completion of the government's financial commitment for several gasifier systems. The Bi-Gas effort will be completed in FY 1983. The Mountain Fuels, G.E., Westinghouse and Beacon processes have received adequate funding in FY 1983 to achieve stated project objectives without additional FY 1984 funding. The FY 1984 Congressional budget of $3.9 million will fund the operation of the METC fixed-bed gasifier and the GFETC slagging fixed-bed gasifier. Also, the FY 1983 appropriation of $4.25 million for engineering analyses and support is reduced to zero in the FY 1984 budget request.

Within the Unconventional Gas Recovery activity, the reduction in Western Tight Gas Sands from $9.9 million appropriated in FY 1983 to the $6.0 million requested in the Internal Review budget and the $3.0 million recommended by OMB in the FY 1984 Congressional budget is primarily due to the completion of the drilling of a third well for the multi-well experiment with FY 1983 funds and a reduction in the overall scope of the Western Tight Gas Sands activity.

In the Advanced Process Technology activity, the reduction from the FY 1983 appropriation of $5.0 million to the FY 1984 Congressional budget of $2.9 million reflects the phase out of light oil mining in the advanced exploratory research area and reduction in DOE's participation in fundamental Arctic research on seafloor engineering, sea-ice dynamics, and oil spill phenomena. The FY 1984 Internal Review budget request was for $6.0 million which would have allowed for an expansion of microbial EOR and additional efforts on fundamental petroleum chemistry. There was no change between the FY 1984 Internal Review and OMB request.

In the Enhanced Oil Recovery activity, the increase from the FY 1983 appropriation of $6.5 million to the FY 1984 budget will expand fundamental research at universities and basic tar sands R&D. The FY 1984 Internal Review budget request of $13.3 million allowed for a further expansion of effort in the same areas. The FY 1984 OMB recommendation and Congressional request of $11.25 million reflect only a minor reduction in the level of activity initially proposed.

In the Oil Shale activity the FY 1983 appropriation was $12.25 million. The reduced funding requested in the FY 1984 Congressional budget of $8.6 million reflects reduced scope in generic laboratory research and reduced efforts aimed at the study of kinetics and mechanisms of oil shale conversion reactions. Also, no funds are requested in FY 1984 for the geokinetics horizontal modified in situ project. The FY 1984 Internal Review budget requested a total of $14.4 million and reflects a slight increase in the scope of the program when compared to the FY 1983 appropriation.

Advanced Research and Technology Development

Question: If it is the Administration's philosophy that the Fossil Energy program should be reoriented toward longer-term, higher-risk

research and development, then why did the Office of Management and Budget reduce your original request for Advanced Research and Technology Development by more than forty percent?

Answer: I would like to make several points with regard to that. First, the Department has made a conscious decision to conduct basic, generic research and development in the specific program areas themselves (e.g., the coal liquefaction and surface coal gasification programs). Before, much of that activity would have been conducted within the AR&TD program. I believe that this alone would account for a significant portion of the reduction. Secondly, although there were reductions made from the OMB request, both the Department and OMB still believe in the validity and importance of the AR&TD program in terms of its position within the overall Fossil Energy activity. I think that is clear when you examine the overall budget request. The AR&TD activity accounts for approximately 22 percent of the total request for FY 1984. No other single activity accounts for such a large percentage of Fossil Energy funds. Indeed, the AR&TD FY 1984 budget request represents almost an 80 percent increase over the Department's FY 1983 budget request for this activity.

Results of Fossil Energy Research

Question: Have we made any significant discoveries of cheap energy sources in the past year or has the private sector aggressively commercialized most of your research to the extent that it is no longer necessary to have a Fossil Energy research program?

Answer: Few would regard energy prices today as "cheap", and we are not aware of anything that could be available in the foreseeable future that would change this picture. Conventional sources of gaseous, and particularly liquid fuels, are the most vulnerable to price escalation in the future. Energy derived from vast resources such as coal, are less vulnerable providing that appropriate steps are taken to achieve environmentally acceptable impacts. This is also true, to some extent, of unconventional gas (e.g., gas from tight formations and geopressured acquifiers, and possibly from gas hydrates), unconventional oil (e.g., oil left in the ground after currently available extraction techniques have been exhausted) and liquids from oil shale.

In most cases alternative sources of, or substitutes for, liquid and gaseous fuels, such as those cited above, are not currently economical. Innovative, basic research could lead to significant improvements and hasten the day when environmentally acceptable, alternative liquid and gaseous fuels or substitutes might be available. Such new sources could help to moderate future energy price increases. This type of research is a primary part of the current Fossil Energy research program. The past Federal R&D program has provided funding that has lead to a number of advances that are being commercialized (e.g., atmospheric fluidized bed combustors) or could be commercialized when market conditions are right (e.g., Exxon Donor Solvent and H-Coal coal liquefaction processes). With technologies such as these available, the Federal program is now concentrating on even more significant improvements which naturally must start with fundamental research and very small-scale bench testing.

New Initiatives

Question: Mr. Mares, what new initiatives in Fossil Energy research are contained within the budget request of $138 million?

Answer: For FY 1984, funds are requested above the amount appropriated for FY 1983 for a number of programmatic expansions and intiatives. Within the Control Technology and Coal Preparation activity, the increase

of $600,000 in the flue gas cleanup area will allow for the completion of testing of the electron beam/ammonia PDU and the initiation of systems integration studies to combine NO_x/SO_x/particulate capture in one process. The increase of $1,250,000 in the university coal research program within the Advanced Research and Technology Development activity permits the initiation of approximately eight additional university projects directed at improving the fundamental scientific and technical understanding of the chemical and physical processes involved in the conversion and utilization of coal. In the environmental and advanced research area of the Underground Coal Gasification activity, the increase of $1,300,000 will provide for the completion of the cost-shared proof-of-concept test of the Controlled Retracting Injection Point (CRIP) concept. In the Enhanced Oil Recovery activity, the increase of $4,750,000 will allow for the expansion of university research in the areas of heavy oil and light oil. Also, experimental work using the block-test apparatus for in situ recovery studies and basic R&D research will be expanded in the tar sands area.

Question: What is the future of the federal Fossil Energy research effort if you are not consistently introducing and developing new research concepts each year?

Answer: We believe that the FY 1984 Fossil Energy Congressional budget request of $138 million is evidence that the Department is committed to a continuing program that provides for a generic, basic, and applied research and development program. The Fossil Energy budget request represents the Administration's effort to fashion a sound, core program that will continue to produce the technological information that the nation will need in order to develop and deploy advanced energy options that will make a significant contribution to our nation's energy supply.

The FY 1984 Congressional budget request for Fossil Energy R&D represents a 29 percent increase over the FY 1983 Congressional budget request. Admittedly, it is less than the $311 million appropriated by Congress in FY 1983, but it does reflect an effort to work with Congress in developing an appropriate mix of programs. The $138 million request certainly provides adequate evidence of the committment on the part of the Administration to maintain the core, generic, basic, and applied research base which will advance various Fossil Energy technologies to the point where the private sector may make decisions concerning their ultimate commercialization.

Operation of Pilot Plants and PDU's

Question: Again, if the economy improves, and I think we all hope and expect that it will eventually, there is going to be a need for greater domestic energy production--especially from coal. The Fossil Energy programs, which your office has conducted in the past, have been designed to facilitate increased coal utilization in an environmentally acceptable manner. It seems to me that the relatively small investment which we are making in research and development for coal utilization pales in comparison to the potential future capital costs to construct synthetic fuel plants and other processes which can use our plentiful domestic coal reserves. So, I believe that it is shortsighted to skimp on the research dollars now only to rush headlong into R&D at the next sign of an energy supply shortage.

Mr. Mares, what large process development units and pilot plants is DOE's Fossil Energy office intending to operate in fiscal year 1984, and how will your fiscal year 1984 program provide a bridge between the laboratory-scale technologies and the prototype commercial projects which you expect industry to develop without assistance from your office?

Answer: A number of large Fossil Energy facilities will continue to be operated in FY 1984. Current plans for the Wilsonville pilot plant (a six ton per day, integrated two stage coal liquefaction facility), which is cofunded with EPRI, is to continue operation through the end of the current contract period which is January 31, 1984. Further proof-of-concept evaluations at this facility, if required, will be left to EPRI and other private sector organizations. Also in the Coal Liquefaction program, the methanol-to-gasoline (MTG) pilot plant, a joint project with the Federal Republic of Germany, will be operated through FY 1984. DOE has requested $500,000 in FY 1984 which would complete the planned contribution to this project.

In the Surface Coal Gasification program, the Mountain Fuels PDU will be operated into FY 1984 utilizing FY 1983 funding. The Mountain Fuels facility is an advanced, entrained bed, down flow, slagging gasifier. In addition, the operation of the Westinghouse agglomerating fluidized bed gasifier, located at Waltz Mill, Pennsylvania, will continue through FY 1984 utilizing remaining FY 1983 funds.

Within the Combustion Systems program, construction of the Curtiss-Wright PFB combined cycle pilot plant will be completed by the end of FY 1983. Curtiss-Wright entered into a cooperative agreement with DOE in July 1982 for the completion of the pilot plant. The terms of that agreement capped the Federal Government's financial obligation and no further funding is required. Operation of the pilot plant in FY 1984 will be Curtiss-Wright's responsibility. In addition, the Grimethorpe project will complete its test program in FY 1984 using prior years appropriations.

DOE's program role is being refocused on the earlier stages of the R&D cycle. As you know, we are phasing out operation of the large scale PDU's and it is the Administration's position that the private sector, responding to market forces, is best qualified to select what promising technologies to pursue for further development and scale-up and when to pursue them. If, due to economic conditions, the market outlook on equity available is unfavorable at the time promising technologies from Federally-sponsored work emerge, these advances may have to "wait on the shelf" until the market is ready. Thus, a technology development gap could exist temporarily. This gap, however, would be closed when a sufficiently strong market develops. DOE is capturing the data and lessons learned from its efforts and is also maintaining a technology data base for use by the private sector. In the case of synthetic fuels where costs and risks to introduce pioneer synfuel technology could be high, incentives from the Synthetic Fuels Corporation (SFC) could help provide the final "push" needed for commercialization. In any event, the Administration is continuing with a sound core research and generic technology program which will provide a base for the future energy technological development for this nation.

Employment Levels

Question: Mr. Mares, you will recall that the Congress required in the fiscal year 1982 Supplemental Appropriations Bill that you maintain certain staffing levels. Approximately how many applications have you received for the fifty or so vacancies at the Morgantown Energy Technology Center?

Answer: We have received approximately 2,046 applications for the vacancies at the Morgantown Energy Technology Center.

Question: So, there is strong interest in the research community regarding the work which you are doing, isn't that correct?

Answer: Yes, there is a strong interest in the research community regarding the work we are doing at the Morgantown Energy Technology Center (METC). This interest has been demonstrated by the fact that we have received over 2,000 applications for the approximately 50 vacant positions at METC. An overwhelming number of those applicants interviewed for these positions have indicated a strong interest in the technical programs at METC.

Question: Who determines the employment levels for the Department as a whole and for the major organizations within the Department in the absence of Congressionally mandated levels such as those which were established last summer?

Answer: The Office of Management and Budget and the Department/Secretary establish manpower levels for the Department in the budget formulation process. After the formulation process is completed, formal manpower ceilings are given to the Secretary by letter from the Director, OMB. The Secretary has the discretion to allocate manpower levels to organizations and programs within the formal ceilings. However, if there are legislative constraints on employment levels, they will be complied with regardless of the administratively determined manpower ceilings.

Question: So, even if you were to reassure us that you would maintain the employment levels desired by Congress, the Office of Management and Budget could, and I suspect would, come along later and abrogate that agreement in the absence of the employment levels established in law, isn't that correct?

Answer: In the absence of employment levels mandated by legislation, manpower levels would be established by OMB and the Department based on workloads associated with approved programs.

Energy Technology Centers

Question: Given the Administration's desire to emphasize long-term, high-risk research and development, do you anticipate that the Energy Technology Centers will assume an increasingly important role in the execution of the Fossil Energy research and development program, and is it reasonable to expect that the percentage of in-house research will increase?

Answer: As a result of our decentralization of program management activities, the Energy Technology Centers (ETC's) have assumed an increasingly important role in the execution of the Fossil Energy research and development program. However, the movement of program management to the ETC's has had no significant impact on in-house research conducted at the ETC's. The percentage of total program funding for in-house research at the ETC's has remained fairly constant over the past several years.

Question: Do you have the necessary personnel at the Morgantown Energy Technology Center to conduct an expanded in-house research program?

Answer: Fossil Energy does have the flexibility at the Morgantown Energy Technology Center to handle an expanded in-house research program within the existing legislative employment floors.

Question: Is the same also true of the Pittsburgh Energy Technology Center?

Answer: The same conditions would apply to the Pittsburgh Energy Technology Center. Fossil Energy does have the flexibility at the Pittsburgh Energy Technology Center to handle an expanded in-house research program within the existing legislative employment floors.

Questions Submitted by Senator Walter D. Huddleston

Retention of Fossil Energy Program Knowledge

Question: With the general decline in government support for fossil energy research such as coal conversion and advanced direct utilization and with the general decline in industrial support for the same projects, what steps are being taken to prevent the program accomplishments of the last nine years from being lost?

Answer: The Department's shift in emphasis away from supporting large scale commercial or pilot plant configurations to basic and applied research will enhance the existing technologies data base by providing input from new technological advances. The Department has placed a high priority on the establishment of a technology data base for the various Fossil Energy technologies. Efforts in data collection, analysis, and dissemination related to previous as well as current Fossil Energy programs has been underway for some time. Indeed, we believe these data will be essential to the design and development of advanced Fossil Energy technologies implemented by the private sector.

Research Objectives of Fossil Energy Program

Question: The Administration supports the transfer of the development and commercialization phases of the fossil energy research program to the private sector. This has been the policy for two years. Please outline in detail the basic research objectives of the fossil energy program and identify the key organizations who will pursue these goals.

Answer: The general federal role with regard to fossil fuel technology is to provide front-end research and development support which is geared towards establishing an adequate scientific and engineering knowledge base to foster technological advances through private sector initiatives.

The Office of Fossil Energy gives high priority to activities directed at establishing such data bases that, with the financial assistance of the Synthetic Fuels Corporation, will enable industry to develop technological options for new liquid supplies and liquid substitutes. A number of promising areas receive attention: gasification, liquefaction, enhanced oil recovery, unconventional gas, and coal utilization (including combustion, control technology, and fuel cells).

The basic research objectives related to the overall mission of the Office of Fossil Energy are to: 1) foster development of an improved knowledge base for technologies which can become economical new sources of supply for liquid fuels, or which can accelerate economical substitution of coal in place of oil to reduce demand for liquids; 2) foster development of an improved knowledge base for technologies which can become economical longer term sources of gaseous fuels, including coal-derived gases, and which can reduce demand for liquids; and 3) foster development of an improved knowledge base for technologies which can increase the efficiency, environmental acceptability, and economic competitiveness of coal utilization systems.

Crosscutting objectives of the Office of Fossil Energy are to: 1) foster development of an improved knowledge base resulting from basic and applied scientific research in fossil fuels and related disciplines, and 2) foster development of an improved knowledge base resulting from environmental research related to fossil energy technologies.

The organizations responsible for carrying out the Fossil Energy mission within the Department include the Office of Fossil Energy, Energy Technology Centers and project offices, the national laboratories, industrial cost sharing partners, industry groups (EPRI, GRI, etc.), international energy organizations (IEA), and assorted private energy technology firms.

DOE/SFC Relationship

Question: What programmatic relationships have been developed between the Synthetic Fuels Corporation and the DOE research effort?

Answer: Congress provided, in the Energy Security Act (Public Law 96-294), for certain interaction requirements between DOE and SFC. Specifically, the Secretary of Energy is to be the chairman of an advisory board, which includes other cabinet officers, to the SFC. DOE is also required to act as a technical consultant in relation to the development and analysis of environmental monitoring plans for synfuel plant sites, as well as to consider the overall environmental implications of a synfuel industry. The Energy Security Act also requires that DOE could be called on by the SFC for technical consultation regarding specific projects. In addition, the Act requires that there be a data exchange established between DOE and the SFC.

To meet these Congressional mandates, a memorandum of understanding (MOU) has been entered into between DOE and the SFC. This agreement is entitled "Energy Mutual Support Agreement". Supplementing this MOU is a more specific agreement between the SFC and DOE's Office of Fossil Energy that provides for exchange of data and program plans. In addition, the Department will continue to provide the SFC with technical and energy impact analysis for those technologies that may be considered as candidates for inclusion in the SFC portfolio. At the request of the SFC, the Department will continue to provide cost-reimbursable consultant services involving technical evaluations, assessments, and market analyses associated with specific projects with which the Department is not otherwise involved.

Impact of Energy Technology Center Transfers

Question: Following the transfer of several of the USDOE energy technology centers to the nongovernmental sector how do you expect this activity to contribute to the new fossil energy basic research objectives?

Answer: The Fossil Energy program objectives are to engage in basic and generic long range fossil energy research and development. It is believed that as a result of defederalization the ability of these facilities to reach their full research and development potential will no longer be totally constrained by federal funding levels, but will be determined by the willingness of the private sector and other federal agencies, state governments, other public and private R&D organizations and private industry. This will increase the national data base on fossil energy beyond the scale feasible only through government funding. Specifically, we expect the continuation of fossil energy R&D programs in low rank coals at the University of North Dakota, and continuation of programs in oil shale, tar sands, and underground coal conversion at the University of Wyoming.

Comparison of Fossil Energy Funding for Universities and National Labs

Question: What levels of industrial support have been transferred to universities and the national labs to continue to support the basic fossil energy research programs built over the last few years?

Answer: The following chart gives the funding level for university related research and laboratory funding for FY 1982, FY 1983, and FY 1984.

Percentage of Fossil Energy Funding
For National Lab and University Efforts

($ in millions)

	FY 1982	FY 1983	FY 1984
Total FE R&D Funding	$ 417.7	$ 311.3	$ 138.0
University Funding[1/]			
Dollar Amount	$ 19.6	$ 23.4	$ 23.9
% of Total R&D Funding	4.7%	7.5%	17.3%
Lab & Plant Funding[2/]			
Dollar Amount	$ 58.2	$ 39.3	$ 18.0
% of Total R&D Funding	13.9%	12.6%	13.0%

1/ Data taken from the "Phases of R&D" exhibit that accompanies the budget submitted to Congress.
2/ Data taken from 5/27/83 financial plan summary.

As can be seen by the data presented, the percentage of the Fossil Energy budget used to fund laboratory and plant activities has remained constant at about 13% for the last three budget years. In FY 1983 and FY 1984, respectively, $9,500,000 and $14,800,000 has been set aside for the Grand Forks and Laramie cooperative agreements. Even after these funds have been factored out of the calculation, the percentage of funding for university related activities has actually increased slightly (+1.9% from FY 1982 to FY 1984) as the total Fossil Energy technology development effort has diminished. These percentages reflect the Fossil Energy policy to continue research and development activities at those laboratories and universities which have developed an expertise in particular Fossil Energy program areas.

Research Interaction

Question: In Kentucky we have, over the past few years, made every effort to develop a research base designed to enhance the development of domestic coal resources. That program continues but needs to be more aware of your overall program objectives and program planning so that appropriate integration might occur. What arrangements are being made to provide for the interaction between the state research programs such as ours and the USDOE program?

Answer: The Department of Energy relies heavily on staff-to-staff communications to stay abreast of state research programs and to inform individual state groups as to the thrust of DOE research programs. For example, Fossil Energy program managers have made numerous presentations to the Kentucky Department of Energy on specific topics of interest at the invitation of the Kentucky DOE.

In addition to contacts with the Kentucky Department of Energy, Fossil Energy is involved with the university community through its University Research Program. Fossil Energy regularly solicits research proposals from universities and provides grants to support the type of research that universities do best. This program is designed to provide an effective, two-way channel of communication between the Office of Fossil Energy and the academic community.

Fossil Energy Criteria for Program Decisions

Question: What criteria were used in deciding which programs were to be eliminated or significantly reduced? Which of these projects had a waiting private investor?

Answer: The Department has, over the past several years, evolved an approach for evaluating potential activities. This approach recognizes that the United States, for the foreseeable future, is inextricably dependent on oil, particularly for transportation and petroleum based chemical products, and that a significant portion of that oil will be imported. Several recent, major energy projections estimate that up to 40 percent of the petroleum used by the United States in the year 2000 will be imported. Historically, events impacting petroleum supply and price have happened quickly and unpredictably. So, if there is a long lead-time for market adjustment to longer term price shocks through reduced demand, alternative sources, and substitute fuels, severe economic impacts could result. However, these impacts can be reduced if there are "fall back" capabilities, including the ability of the private sector to efficiently implement advanced technology options supported by a sound technology base.

With this general approach in mind, the Office of Fossil Energy has moved away from supporting large scale proof-of-concept demonstration projects and is now concentrating on long term, high risk, generic basic and applied research and development. Judgments were made as to which programs were sufficiently advanced that the data base resulting from past activities was adequate to permit private industry to assume the responsibility for further development and commercialization.

A number of program areas were deemed to be sufficiently advanced so that continued large scale federal support was not warranted. For example, there are a number of vendors actively marketing AFB and PFB combined cycle systems. Exxon is marketing their EDS process. Evidence exists that, in the Fuel Cells program, GRI, DOE's industrial partner, will continue development. In the Oil Shale program, Geokinetics has several proposals before the SFC which would permit them to complete the present development/demonstration program. Within the Surface Coal Gasification activity, evidence exists that a number of processes will be continued by the private sector.

In summary, the Department believes that appropriate judgments have been made with regard to federal funding of specific programs given the apparent interest in them by the private sector. We believe that our approach with regard to the role that the Federal Government should fulfill, that is, to fund long term, high risk, generic basic and applied research, is the appropriate one.

Fossil Energy External Consultation

Question: To what extent have you considered and/or measured the impact of your program changes on affiliated organizations such as EPRI, GRI, and the Kentucky Center for Energy Research Laboratory?

Answer: Individual DOE program offices consult regularly with representatives of affiliated organizations as part of the program planning process. For example, the Office of Fossil Energy has endeavored, over the past several years, to communicate to EPRI and GRI our evolving strategy with regard to the types of research and development activities that the Department and the Administration believes is the appropriate role for the Federal Government. We have accomplished this by discussing the technologies and areas of R&D that we believe warrant further work directly with industry. The Department has held conferences, conducted

workshops, and participated in seminars with industrial consumers and users. Through these interactions the parties involved are generally well aware of how changes in one program affects the other programs.

Synthetic Fuels Technology Base

Question: To what extent have you integrated the research of the various synthetic fuels groups around the country into a technology base available to industry?

Answer: One of the major objectives of DOE's coal conversion R&D programs is the accumulation, correlation, storage and utilization of a technology data base. Considerable effort is being devoted to the synthesis of a versatile data processing system that can utilize the many different types of data being generated by the R&D activities of universities, industries, research institutes, etc. In the indirect coal liquefaction and coal gasification areas, for example, this system (i.e., ASPEN Process Model) is currently being used as a repository of not only fundamental data being generated throughout the research community but also the data that has been produced during the demonstration plant program as well as in the completion of a large number of feasibility studies. The system is now being extended as needed to include the information that will become available as a result of commercial projects (e.g., Great Plains Gasification Project, Coal-Water Project, etc.). The system is being established with full recognition of its need to recall and provide data in response to requests from any interested industrial, governmental or academic group.

Data for direct liquefaction processes associated with DOE's former large pilot plant and demonstration plant programs (i.e., SRC I and II, H-Coal, Exxon Donor Solvent) will be incorporated into the data base by the end of FY 1983. Non-proprietary synthetic fuel data from sources outside the government will be incorporated as it is made available.

Fossil Fuels Technological Options

Question: What technological options for fossil fuels appear to be most likely candidates for development over the next 10 to 20 years?

Answer: The question of which fossil fuel technologies would most likely be developed by industry during this century is highly dependent on which of many plausible scenarios one wishes to assume. For example, if certain events (e.g., conflict in the Middle East or very poor sucess in finding new domestic conventional oil supplies) caused a dramatic and sustained increase in the price of oil, then market forces could lead to accelerated development of liquid-producing technologies such as enhanced oil recovery, tar sands, oil shale and coal liquefaction. Similarly, there would be increase incentive to develop liquid substitutes such as coal mixtures (e.g., coal-water mixtures) and gas from unconventional sources and coal.

If oil and gas prices are high, but not high enough to encourage synthetic fuels or the replacement of industrial or utility facilities using oil and gas, then development of intermediate cost options such as enhanced oil recovery and coal mixtures would still be attractive.

If environmental concerns (e.g., acid rain) become a major driving force, then there will be increased incentive to develop better coal cleaning technologies. This includes technologies that can clean coal either before, during or after combustion.

Thus, it can be seen that future uncertainties make it difficult to predict which technologies will become most attractive to potential

developers. DOE is doing R&D on a number of fossil energy technologies so that the overall program will be responsive to a variety of different but plausible future scenarios.

Unconventional Gas Programs

Question: How do you plan to expand the unconventional gas programs with a reduction in effort from $13 million to $5 million planned for FY 1984?

Answer: Although the overall DOE/FE unconventional gas program is not expanding in FY 1983, the total industry-wide level of effort, including DOE, GRI, and other private sector participants, is expanding.

DOE's objective is to focus the Unconventional Gas programs on more basic and generic long term, high risk research areas; those areas that industry is not working in and will not in the near future. Research areas of a short term nature will be picked up by industry. The Gas Research Institute (GRI) has already indicated a desire to pick up, continue, and in some areas expand on the research initially developed by DOE. GRI's budget for the Unconventional Gas programs has increased in recent years and future years will probably see additional increases. The refocusing process was actually initiated in FY 1983 with the elimination of methane-from-coalbed research, the concentration of effort on the lenticular sandstone reservoir in the Western gas sands subprogram, and industry (GRI) picking up several projects in Eastern gas shales.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee stands in recess.

[Whereupon, at 2:55 p.m., Wednesday, April 20, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 21.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 21, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:07 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

INDIAN HEALTH SERVICE

STATEMENT OF DR. ROBERT GRAHAM, ADMINISTRATOR

ACCOMPANIED BY:

DR. EVERETT R. RHOADES, DIRECTOR
DR. JOHN TODD, CHIEF OF STAFF
MILBURN H. ROACH, ASSOCIATE DIRECTOR FOR ADMINISTRATION
WILLIAM BELDON, DIRECTOR, OFFICE OF HEALTH BUDGET ANALYSIS, DHHS

PREPARED STATEMENT

Senator MCCLURE. The committee will come to order. This is the time scheduled to review the fiscal year 1984 budget estimates for the Indian Health Service and for the Office of Indian Education.

We will begin with the Indian Health Service. The fiscal year 1984 estimate for the Indian Health Service totals $652,706,000, a decrease of $57,577,000 below fiscal year 1983 appropriations to date. A pay supplemental in the amount of $7,574,000 is also pending.

Dr. Graham, we welcome you before the subcommittee this afternoon. Your opening statement will be included in the record in full. If you would introduce your associates, we will proceed directly to the questions.

[The statement follows:]

STATEMENT OF DR. ROBERT GRAHAM

I am Dr. Robert Graham, Administrator of the Health Resources and Services Administration. With me are Dr. Everett Rhoades, Director of the Indian Health Service; Mr. Howard Roach, Associate Director for Administration, Indian Health Service; and Mr. Anthony L. Itteilag, Deputy Assistant Secretary, Budget, for the Department of Health and Human Services. I am pleased to be here today to discuss with you and your Committee the Fiscal Year 1984 budget request for Indian health programs.

The IHS, as a health delivery system, is an integral part of the Department of Health and Human Services. Organizationally, the IHS is one of four bureaus in the Health Resources and Services Administration, an agency of the Public Health Service.

The IHS, as the primary Federal Health resource for approximately 903,000 American Indians and Alaska Natives (64 percent of the total Indian population in the United States), carries out this mission through a comprehensive health delivery system. This comprehensive system provides high quality preventive, curative, rehabilitative and environmental health services through programs managed and operated by both the IHS and various tribes utilizing both direct and contract health services. These services are provided to the Indian population located primarily on or near Federal Indian reservations and in traditional Indian communities. Since FY 1974, the Federal government, through the Indian Health Service, has spent over $5 billion on health care for Indians. The system includes 48 hospitals, 90 health centers, and more than 300 smaller health stations and satellite clinics operated by the IHS and four hospitals and 252 health clinics operated by tribes under contract with IHS. In addition, a variety of health services, ranging from outreach and referral activities to comprehensive ambulatory care, are provided to Indians in urban settings through 37 urban health projects.

For Fiscal 1984, the Administration is requesting a budget for the IHS of $720.3 million for services.

Coupled with the IHS reimbursement reforms proposed for FY 1984, the President's budget request will continue to maintain the traditional Federal role in delivering health care to the Indian people. The provision of basic inpatient and outpatient medical services will continue as the highest IHS priority.

The President's FY 1984 budget includes a major initiative to increase collections for services from insurance and other sources to supplement the appropriations request. Currently, the IHS collects $20 million from Medicare and Medicaid. The proposal in the President's budget would result in expanding Medicare and Medicaid collections to $40 million as well as $30 million from insurers who cover Indians and their families, for example, the Federal employees health benefits program.

In addition to the annual appropriations request, increased collections from reimbursements will result in increased IHS flexibility to maintain existing health services levels despite the increasing cost of medical care. Such additional support will strengthen efforts to improve the health status of the Indian people, while assuring that third-party payers reimburse for covered health services.

In addition to maintaining high priority health services, the FY 1984 request for the Equity Health Care Fund contains an increase of $9.9 million for a total request of $32.4 million. The equity fund, originally established through the FY 1981 Appropriations Act, is intended to insure that those tribes with the greatest resource deficiency receive priority funding. This 1984 funding level will permit the IHS to raise the level of health care for tribes in levels IV and V of the IHS Health Services Priority System.

The provision and maintenance of high quality health care requires that the standards and criteria set forth by the Joint Commission on Accreditation of Hospitals (JCAH) and the Health Care Financing Administration be achieved and maintained. Currently, 38 of the 48 hospitals operated by the IHS and all four hospitals operated by the tribes are accredited by the JCAH and therefore are eligible for participation in the Medicare-Medicaid program. The remaining 10 non-accredited hospitals are, however, certified by the Health Care Financing Administration for participation in the Medicare program, as are all free-standing health centers.

Indians living in urban areas will continue to be eligible for services funded by block grants to States and other State and local health service delivery programs.

With regard to Indian health manpower, the FY 1984 budget includes support of 70 new nursing students and will also provide for the continuation of scholarships funded in FY 1983 through the completion of the degree that the student is presently pursuing.

Over the past several years, the increase in the level of services, the intensification of self-determination efforts, and overall program growth have placed an heavy demand on the management capacity of the IHS. The IHS will continue to examine alternatives for more efficient management practices.

With regard to Indian self-determination, let me assure you that the IHS will continue to assist the tribes to assume the responsibilities for health services through the P.L. 93-638 authority.

This concludes my opening statement. We will be glad to answer any questions you may have.

Biography of Dr. Robert Graham

NAME : Robert Graham

BIRTHPLACE : Pueblo, Colorado

DATE OF BIRTH: FEBRUARY 15, 1943

EDUCATION : Earlham College, Richmond, Indiana; A.B. Degree, 1965

University of Kansas School of Medicine; M.D. Degree 1970

Resident in Family Practice, Baptist Memorial Hospital, Kansas City, Missouri, 1974-1975

PROFESSIONAL ACTIVITIES

1. September 1982 - Present
Administrator, Health Resources and Services Administration, Department of Health and Human Services

2. January 1981 - August 1982
Acting Administrator, Health Resources Administration, Department of Health and Human Services

3. July 1979 - December 1980
Professional Staff Member, Subcommittee on Health and Scientific Research, Committee on Labor and Human Services, United States Senate

4. July 1978 - 1979
Deputy Administrator, Health Resources Administration Department of Health Education and Welfare, and

Executive Secretary, Graduate Medical Education National Advisory Committee (GEMANAC)

5. July 1976 - July 1978
Deputy Director, Bureau of Health Manpower, Health Resources Administration, Department of Health Education and Welfare

6. January 1976 - June 1976
On staff of Program for Health Management, Baylor College of Medicine, Houston, Texas, and

Instructor, Department of Community Medicine, Baylor College of Medicine, Houston, Texas

7. February 1973 - January 1976
Assistant Director, Division of Education, American Academy of Family Physicians, Kansas City, Missouri, and

Administrative Officer, Society of Teachers of Family Medicine

8. June 1970 - February 1973
Assistant Administrator for Agency Goals, Health Services and Mental Health Administration, Department of Health Education and Welfare, Washington, D.C.

9. 1970-1973; 1976-Present
Commissioned Officer, Active Duty, United States Public Health Service; Assistant Surgeon General, September 1982 -

APPOINTMENTS

1. Member, National Board of Medical Examiners (Federal Representative), 1981-1982

2. Consultant, National Academy of Sciences/Institute of Medicine, Social Security Studies, 1974-1976

3. Advisor, Robert Wood Johnson Foundation, Rural Practice Project, 1975-1979

4. Consultant, Bureau of Health Manpower, Office of the Director, 1975-1976

5. Consultant, National Health Service Corps, Office of the Director, 1973-1974

6. Consultant, Study on the Place of Behavioral Sciences in Schools of Medicine, 1969-1970

7. Student Consultant, Carnegie Commission on Higher Education, 1969-1970

ASSOCIATIONS

1. American Academy of Family Physicians, 1973 -

2. American Medical Association, 1970 -

3. Association of American Medical Colleges, 1968 -

4. Society of Teachers of Family Medicine, 1973 -

5. Society for Health and Human Values, 1969 -
(Member, Executive Council, 1971-1975)

RECENT PUBLICATIONS

1. "Political and Legislative Influences on Primary Care"; Banta, H.D., Graham, R. ; The Mount Sinai Journal of Medicine, Vol. 45, No. 5, Sept.-Oct. 1978

2. "Public Policy Implications of Graduate Follow-Up Studies in Family Practice" ; Graham, R. , The Journal of Family Practice, Vol. 11, No. 5, Oct. 1980

3. "Funding Issues in Primary Care and Family Practice: A Policy Perspective" , Graham, R. , and Lawton, S. , The Journal of Family Practice, Vol. 13, No. 4, Sept. 1981

PERSONAL INFORMATION

Spouse: Jane E. Henney, M.D.

INTRODUCTION OF ASSOCIATES

Dr. GRAHAM. Thank you very much, Mr. Chairman. On your far right is Mr. Milburn H. Roach, who is the Associate Director for Administration of the Indian Health Service. Next to him is Dr. Everett Rhoades, who is the Director of the Indian Health Service.

To my right is Mr. Bill Beldon, who is the Director of the Office of Health Budget Analysis with the Department of Health and Human Services.

HOSPITALS AND CLINICS OPERATING BUDGETS

Senator MCCLURE. Thank you very much. We received a number of very disturbing reports over the past several weeks of widespread layoffs at hospials and clinics and reduced operating budgets.

Several people have indicated that it may be necessary to completely close some facilities before the end of the fiscal year.

What is happening and what action is the Department taking to deal with that particular situation?

Dr. GRAHAM. We are presently in the midst of an area-by-area analysis of what the direct operation dollars needs of each area are in the Indian Health Service for the remainder of fiscal year 1983.

We are also concerned that we be in a position where we can continue to have Indian facilities open throughout the fiscal year with a full complement of staff.

We have not yet completed that anlaysis. We are not in a position of being able to say today that we have within the resources presently programed or possibly reprogramed, adequate resources to get through all of fiscal 1983.

I have given a commitment to the Public Health Service, which is the unit in the Department wherein we are located, that within the next week we will be able to come before them and give them our best judgment of where we stand for fiscal year 1983 budget and whether or not it may be possible that we will request additional funding.

Senator MCCLURE. Will you inform this subcommittee when you come to that conclusion?

Dr. GRAHAM. We'll be happy to do so, sir.

REIMBURSEMENTS

Senator MCCLURE. The major change in the fiscal year 1984 budget is the dependence placed upon anticipated increases in reimbursements. The total obligations estimated for next year are $720,306,000, which is about $68 million higher than the budget request.

Is the $720 million figure the amount IHS requires to maintain delivery of health services to the eligible population?

Dr. GRAHAM. The amount of $720 million is the amount which we are requesting budget authority for in fiscal year 1984 to deliver the services as specified in the present budget.

The reason that I hesitated is that as you said: is that the amount re-

quired to maintain services? Obviously, that will maintain services at a given level.

But we do feel, based upon the President's budget and the descriptions which have been provided to the committee of how that money would be expended, that we would be able to maintain essentially the same level of clinical services in fiscal year 1984 at that budget authority.

Senator McCLURE. And if it drops below $720 million, the budget authority, then the level of services would begin to drop also?

Dr. GRAHAM. Yes, sir.

SERVICES FOR NON-INDIAN SPOUSES

Senator McCLURE. We seriously question the projected reimbursement level. As you know, a prohibition was included in the fiscal year 1983 law relating to the provision of health services for non-Indian spouses and other non-Indian family members.

While this has reduced the service eligible population, has it not also led to a reduction in medicaid/medicare payments which had been made on behalf of some of the people?

Dr. GRAHAM. It appears to us that it has. The best estimates that the IHS has at the present time is that that reduction will be somewhere in the neighborhood of $500,000 to $750,000.

If that projection is correct, it would mean that the dropoff in medicaid/medicare recovery as a result of that statutory change would be less than $1 million.

That is something that the IHS is looking at currently. Obviously since this change is very recent, we have to be in contact with the area and service units to get a better appreciation of exactly who is presented for care and what the different patterns are.

Senator McCLURE. Have you any estimate of the number of people who have been excluded from IHS care based on the legislative prohibition on non-Indian spouses?

Dr. GRAHAM. The best estimate that Dr. Rhoades has at the present time is 41,000 individuals.

Senator McCLURE. Have you any estimate on the reimbursements which had been made on behalf of these people in prior years?

Dr. GRAHAM. I do not believe that we have had that broken out, but let me defer to Dr. Rhoades or Mr. Roach, in case they do have those figures.

Dr. RHOADES. The figures that we have, Mr. McClure, are essentially the figures that Dr. Graham just gave: between $500,000 and $750,000.

Senator McCLURE. That's based on that population number?

Dr. RHOADES. That's correct.

THIRD PARTY PAYMENTS

Senator McCLURE. Collections of third party payments from other than medicaid and medicare will require legislation and a revised collections system.

What is the status of the legislative proposal and what administrative actions have been taken to actually implement an expanded collection system?

Dr. GRAHAM. We are doing two things at the same time. One is working on an implementation plan which would allow us, by October 1, to identify all Indian individuals who have third party coverage, from which third parties we could seek the reimbursement as specified in the budget.

That implementation plan is well under development and has to do with setting up of a registration and billing system, and being able to identify at each point of service those individuals who do have third party coverage, so that we can identify the individual and the third party which should be billed.

The policy question is how to resolve the potential conflict between the stipulation in some insurance policies that the insurance company is not liable for expenses reimbursement, if the insured party is eligible for health care under workmen's compensation, Federal health programs, and so forth. Right now we're not in a position of knowing whether that is a 100-percent problem or a most-insurance-policy problem.

Whether we will seek statutory change, whether we will seek to work individually with States, or individually with the insurance companies, we are not yet at a position to say. That is still something which is under discussion within the Department and within the administration.

Senator MCCLURE. When are you going to get to the point of being able to determine what your reponses may be?

Dr. GRAHAM. Part of that will be speculation on my part as to——

Senator MCCLURE. You can speculate better than I can.

Dr. GRAHAM. I would say that to allow us a timely implementation of the system by October 1, I would like to see the very basic policy decisions made no later than June 15.

That, I must point out, is Graham's time line; it may not fit in with the time line for decisionmaking within the Department or within OMB.

LEGISLATIVE SCHEDULE

Senator MCCLURE. If you come to a policy decision by June 15 and that policy decision requires passage of legislation, when do you propose we're going to pass legislation? During the August recess?

Dr. GRAHAM. In some ways that might make it simpler. I recognize, though, the seriousness of your question. This is a very short time line that we're operating on. If we can get the necessary decisions made and the policy option selected prior to June, we will do so.

I think we also recognize that the Congress would view this issue with some seriousness and a sense of urgency, and that we would come before you or come before the appropriate committee and seek as timely an action as is possible via whatever legislative mechanism is presently pending before that committee.

Senator McCLURE. Dr. Graham, I would suggest that if you don't make a policy decision before June 15, you'll not have legislation in place upon which you can make administrative actions by October 1. Simply impossible.

Dr. GRAHAM. I recognize that potential and that is why I emphasize that we are trying to move along two parallel tracks at the same time. First is to have a mechanism in place that allows us to identify potential third party beneficiaries and their third party carrier.

It may well be, sir, that the option that is selected by the Department is an option that would not require Federal legislation, in which case we would be pursuing that and not be tied up with a time line.

Senator McCLURE. I understand that and I suggest, too, that because of the difficulty of the legislative schedule, it may impel you to go that direction, even though it may not be the best course of action.

Dr. GRAHAM. When we get to that point it's always a trade-off in terms of what is possible and what is desirable.

There is a possible outcome, I must admit, that we would get to October 1 without having every piece in place. However, I do feel that an insurance company which has, as a beneficiary, an individual who is paying in premiums, has something of an obligation to reimburse for that individual's health care expenses.

And I would hope that, again, either in parallel or as a result of some of these discussions we have in the Department, it might be possible for us to work out with insurance companies nonlegislative means.

What I want to make sure that we can do October 1, whether we have necessary legislation in place or not, though, is to know for certain when we have provided a set of services to an Indian beneficiary for whom there is third party coverage.

Even if we can't recover those funds Ocober 1, even if legislation may not be passed until November, we would still be able to have as a matter of record when those services were covered, and go back to the insurance companies at that point.

Senator McCLURE. I understand your dilemma. I hope you understand, too, that Senator Baker has indicated consistently throughout this year that he intends for the Senate to have its legislative agenda so fulfilled that we would not be in session here during the month of July as well the month of August. When we come back on the first of September our priority is going to be on appropriation act, and that that doesn't leave much time to give great attention to a question that is this important and in which there is as much interest as the one you're referring to.

It isn't totally impossible for Congress to act quickly on very important matters that affect the security of this Nation, such as the televising of the Redskin football games. [Laughter.]

But other matters take a little longer, and ordinarily we'll also expect that people other than the administration will be heard. It's likely that hearings would have to be held and evidence sought from people who are affected by it on all sides. That takes some time.

I would hope you would address that with some urgency toward getting policy decisions—particularly with respect to possible legislative actions—quickly enough that the Congress has a fair opportunity to act upon that in time to affect your administration of the programs.

Dr. GRAHAM. I hear your message very clearly.

REQUIRED STAFFING LEVEL

Senator MCCLURE. The 1984 estimate shows a decrease in permanent positions of nine below the 1983 level. At the same time eight new or expanded hospitals and clinics are scheduled for full operation for the first time during the next year.

A total of 238 positions are required for these facilities. According to the justification, current staff will be redeployed to meet this need.

What specific hospitals or clinics are so overstaffed so as to allow their positions to be transferred to these facilities?

Dr. GRAHAM. Dr. Rhoades and I discussed that at some length last evening. We are not in a position at the present time to be able to tell you institution by institution where we would take two doctors, four nurses, three lab technicians and the like. That will depend upon the staffing levels of the institutions in fiscal year 1984 as these other facilities come on line.

You are correct in the interpretation of the budget. We must live within the resources that we have and the implication that we must move people around is correct.

But we cannot at this time say we would take them from here versus some other place, because we don't know what the staffing pattern will be in the facilities we have right now in another 9 months from now.

That has to do with individual decisions as to whether or not people stay on board, or whether or not they seek to go out of the Federal service.

Senator MCCLURE. I know you have a high turnover rate. I didn't know that your staffing levels fluctuated in facilities so rapidly as to indicate that 6 months from now it will be so different from now that you could make judgments then you can't make now.

Dr. GRAHAM. Well, in some cases, and perhaps I ought to let Dr. Rhoades speak to this in some specificity, but when you have to make those difficult decisions of where can we find a physician, a dentist, a nurse, it may well be that we're having to make decisions right at the point of critical mass; and that a facility we would identify now as being a potential source for taking a position, might, 6 months from now, suffer its own attrition and just not be at the level where we felt it——

Senator MCCLURE. I understand that, but you'd have some idea now, would you not, of which ones—if you were to assume that 6 months from now the staffing levels were exactly as they are now, which ones you'd reduce?

Dr. GRAHAM. If you phrase the question that way, we could then make a series of assumptions——

Senator McCLURE. I have phrased the question that way. Make those assumptions and tell me.

Dr. GRAHAM. We have not made that same assumption. We'd be happy to submit that information for the record.

Senator McCLURE. Would you do that, please, for the record?

[The information follows:]

It is possible to move 238 positions from selected IHS facilities. Based on a comparison of the IHS' average patient/staff ratio to individual facility patient/staff ratio, the IHS has identified severn hospitals from which staff could be redirected to a new facility. These facilities from which staff could be redirected follow. However, it must be noted that this listing does not take into account the staff configurations by types of positions. Those staff positions necessary to adequately staff a new facility may not be the same as those available from the following facilities. Therefore, the IHS strongly recommends that time and motion studies be carried out before selecting the hospitals in which to recuce staff rather than utilizing a straight patient to staff ratio to make these decision. Acoma-Canoncito-Laguna: Albuquerque; Santa Fe; Zuni; Bethel; Tuba City, and Whiteriver.

OPTIMUM STAFFING LEVEL

Senator McCLURE. Realizing that a full range of services cannot be provided at every health center and that shared services are necessary, what is a realistic optimum staffing level for IHS hospitals and clinics?

Dr. GRAHAM. I would like to have Dr. Rhoades respond to that question.

Dr. RHOADES. Mr. McClure, based upon the kind of reasoning that you just stated in your prior question and trying to analyze what is going to happen during the next year, our best estimate of realistic staffing for hospitals and clinics in next fiscal year would be about 7,750 individuals.

Senator McCLURE. How many people do you currently have in these positions?

Dr. RHOADES. As of this moment, we have 7,357 employees in that category.

Senator McCLURE. Now, when you give the level of the 7,750, that is against the current level of hospitals and clinics and doesn't take into consideration the eight new or expanded ones that will be put into service next year; is that correct?

Dr. RHOADES. No, the projection of 7,750 does include that——

Senator McCLURE. And what would it be without those eight facilities? Am I correct to simply subtract 238?

Dr. RHOADES. Without those, it would be the 7,357 figure.

Senator McCLURE. Well, I get a difference in the figure because your justification indicates that those eight new hospitals and clinics will require 238 positions, and the difference betweewn the two figures you have given me is 393.

Dr. RHOADES. The difference that I would come up with between those two would be 156 individuals over and above the 238 that we anticipate to staff those new facilities.

Senator McCLURE. My figure is not quite the same but close enough that I won't question that.

I'll submit some further questions for the record with respect to staffing levels for response in writing.

CONTRACT HEALTH CARE

For the past 2 years contract care funds have been limited for expenditures for life or limb threatening situations. Notwithstanding budget constraints, is this a medically sound approach to health care?

Dr. GRAHAM. When you ask the question—again, notwithstanding budget constraints; in an ideal world we would prefer to be able to deliver, perhaps, a wider range of services within Indian health facilities and with Indian health personnel themselves so as to decrease the amount of contract care that would have to be purchased.

We feel that the present pattern of contract care purchase, given the budget constraints that we all face, is realistically meeting the most pressing health needs of the Indian population.

Senator MCCLURE. If I understand your answer to my question, what you have said is the decision is a budgetary decision, not one based upon medically sound practice?

Dr. GRAHAM. Yes; I'm comfortable going in that direction; however, I would be uncomfortable to have someone come back to another direction of your question and say: since the decision is based upon budget constraints, which it is, therefore it leads to medically unsound practice, which I do not acknowledge.

But the crux of your question: have those limits been set by a budgetary process and limitation of resources? Yes, sir.

Senator MCCLURE. I would understand your answer again—and I don't mean to put words in your mouth—what you have said is given the number of dollars we have, we are making the best medical judgments that we can?

Dr. GRAHAM. Absolutely.

Senator MCCLURE. What I am suggesting is that if you are looking at medically sound practice you would come up with different requirements.

Dr. GRAHAM. If we were to do everything in every instance that we might wish to do for Indian people, it would require more money than is presently in the budget.

Senator MCCLURE. I am not suggesting that. I am not suggesting that you gave me a figure based upon doing the very best anybody could possibly conceive of doing.

I am suggesting what is a medically sound judgment, based upon medical need, not budgetary considerations, not doing everything that could possibly be done, but not doing less than is required?

Dr. GRAHAM. Let me defer to Dr. Rhoades here in a second.

I would say that I believe that our Indian health personnel are, day-in and day-out, making medically sound judgments in their provision of care for their patients.

Senator MCCLURE. That doesn't answer my question.

Dr. GRAHAM. Dr. Rhoades, would you like to respond?

Dr. RHOADES. I believe I understand the question, and I believe medical opinion throughout this country would, indeed, back the judgment that it is medically sound, even leaving budgetary considerations aside for the moment, that the two major categories are very urgent life and limb preservation categories. These on the one hand are the conditions associated with childbirth, let's say; and, on the other hand, with excessive bleeding. They would dictate that it is appropriate to consider that those kinds of urgencies would be met first, as medical priorities.

Senator MCCLURE. That, again, doesn't quite address my question, because I think what you are saying is, given the strictures on the amount of money that we have, we are doing the best we possibly can with the money we have.

Dr. RHOADES. No, I don't mean to imply that.

Senator MCCLURE. All right.

Dr. RHOADES. I believe that even if we had all the money in the world we would give our attention first to those kinds of considerations.

MEDICALLY SOUND PRACTICE

Senator MCCLURE. I understand that, but going just the next step—you stop short of doing more than this—is that medically sound practice, to stop short of doing more than you are doing now?

Dr. RHOADES. Oh. If I may interpret the question further; if one wants to build a system for elevating the health of a group of individuals, would one choose only to do that kind of medical care. The answer would have to be "no." One would wish to do other kinds of medical care as well, which Indian Health Service does.

Senator MCCLURE. Which they do?

Dr. RHOADES. Yes, sir.

Senator MCCLURE. You do not with contract care. Are you suggesting that you do more through the hospitals and clinics than you do through contract care?

Dr. RHOADES. Yes, we do give more kinds of medical care directly than we do with contract care. Obviously, the contract care situation is a special situation at the present time, driven not, just by budget, but driven by the complexity of the medical care, which sometimes requires us to go outside our own facility just to purchase that kind of institutional care.

Senator MCCLURE. Have you any estimate of the number of beneficiaries who must resort to contract services due to the lack of adequate staffing at IHS facilities?

Dr. RHOADES. We don't have a number to give, and that kind of data are extremely difficult to acquire, depending as it does on the medical judgment at the moment.

We have every reason to believe, however, after discussions with medical officers in the field, that, indeed, our medical officers sometimes have to provide care that it would be desirable to be able to purchase; and sometimes, because of limited staffing, we, indeed, have to

purchase care through the contract mechanism that otherwise we would be able to offer in our own facilities.

Senator McCLURE. It is that latter question that I was seeking to get some numerical measure for.

Dr. RHOADES. I don't believe we could really put a realistic number to that.

Senator McCLURE. I don't mean to be unduly critical of the answer, but does that imply that you have no real estimate of the need for medical care to the Indian population that is not being met through IHS personnel?

Dr. RHOADES. No, no, it doesn't mean that at all. The difficulty with the question is that it comes down, ultimately, to a point of some physician exercising his medical judgment at that moment; and very often, in the evaluation of any given patient, the leeway is sufficiently gray, and the number of considerations that one has to take into account at any given moment, make it difficult to separate a patient into a category, clearly, where a contract service would be purchased on the one hand or not on the other.

I think there are ways to estimate the unmet needs, based upon the requirement for contract health care, for example.

IHS MONITORING OF CARE

Senator McCLURE. The answer you gave me would imply that all medical care requirements first proceed through an IHS facility or with IHS personnel and are then referred to contract care.

Dr. RHOADES. That is basically correct.

Senator McCLURE. Isn't it a fact that there is a large area in the country where there is no IHS facility, there are no IHS personnel, and proceed directly to contract care?

Dr. RHOADES. Not quite. By and large, Indians residing in those kinds of locations in this country, where there are no IHS facilities whatsoever, are not eligible for care within the Indian Health Service system anyway.

Now, on the other hand, there are areas in the United States where we have few—very few—outpatient facilities operated by Indian Health Service, and, indeed, Indians are otherwise eligible in those areas.

The Portland area is perhaps the best example of that. The major medical care that is provided to the Indian people there is through the contract mechanism.

Senator McCLURE. But that contract mechanism is not first filtered or measured by contact with IHS personnel?

Dr. RHOADES. Yes, it is.

Senator McCLURE. You have adequate IHS personnel in the Portland area to screen all the applicants for contract care?

Dr. RHOADES. No, I am sorry, in that instance, the Indian Health Service personnel do not serve to screen the patient as such. They serve to monitor the program.

Senator McCLURE. They monitor the program, but there is no direct access to IHS personnel, and there would be other instances in geographical areas where there are Indian people present and there is neither contract care facilities nor IHS facilities, isn't that correct?

Dr. RHOADES. That is correct.

Senator McCLURE. And you have no measurement of need in those areas?

Dr. RHOADES. We have no measurement of need in the latter category because those Indians tend not to be eligible for our services anyway and don't come to our attention.

Senator McCLURE. Contract care is presently carried as a separate line item appropriation.

Assuming that contract requirements may fluctuate based on both demand and on the availability of direct services, would it be in the interest of program management to have one account for the provision of health care services, either through contract or provided directly by IHS?

Dr. GRAHAM. I think that might be an advantage.

TASK FORCE REPORT

Senator McCLURE. Last year a task force on contract health services was appointed by the Director of Indian Health Service. Their report has been made available to the Congress.

The report covers the delivery of Indian health services in general, as it is impossible to totally divorce contract care from direct care.

The task force agreed with an earlier report issued by the General Accounting Office, stating that significant additional services could be purchased within the contract care budget if providers were paid medicare rates rather than at 100 percent of billed cost, as is now the case.

Do you plan to change the present reimbursement rates, and, if so, when?

Dr. GRAHAM. That is an item that we have under very active consideration. Whether or not it will be changed in the near future, again, is a matter which will have to be discussed with other individuals within the Department, and may, itself, require a rulemaking and public notification.

Senator McCLURE. You have no timetable for that decision?

Dr. GRAHAM. I can't give you specific dates, such as July 1 or August 1, except to say that we do feel that both of the two reports that you cited were correct and that this would be to the advantage of the Indian Health Service.

We would like to go in that direction so long as that is consistent with departmental policy and there is general public support for it.

Senator McCLURE. There is a vote on the floor of the Senate, and I will have to recess briefly to go attend for the vote. We will reconvene in just a few minutes.

Thank you.

[A brief recess was taken.]

COMMUNITY HEALTH REPRESENTATIVES

Senator McCLURE. The one vote on the floor turned into two instead of just one.

Just as the task force established priorities in the delivery of health services, it may well become necessary to establish the similar priority system with respect to the various programs administered by IHS.

You have presumably done so in the budget justification before us. We are, however, again faced with a request for no funding for the community health representative program, which will surely get us embroiled in a debate as to whether CHR's provide direct health care services.

Alaska, as you know, also has a community health aid program which is funded from the "Hospitals and clinics" account, as there is apparently agreement that the CHA's do provide direct health care.

If we were to eliminate CHR's as a line item and increase the funds available for hospitals and clinics, would it be possible for you to make a determination based on medical priorities as to the effectiveness of CHR's and what their role should be within the medical context and allocate funds out of that account accordingly, be it more or less than currently available through their line item?

Dr. GRAHAM. That really is two questions. The answer to the first question—is it possible—yes. I would have to say that it would be possible to do that.

I think the second question is, is it desirable? And here we may face a little different situation than in our earlier discussion about contract health care, and would it be good to fold that into one appropriation?

Any time we think about the virtues of unified appropriations or smaller number of lines versus larger number of lines, we always walk a balance, as I am sure you on the committee do, in trying to decide what the trade-offs are of flexibility versus identity and prioritization.

It would be possible for us to administer the program the way that you have described it, if they were folded into the general medical care activity. I think our judgment at the present time, in terms of desirability, is that if the CHR program were to continue—and obviously our 1984 budget does not make such a request—that we would leave it as a separate activity.

Senator McCLURE. You would let us establish that priority rather than pass the buck to you?

Dr. GRAHAM. Our response is based more on a sense of how things function programmatically rather than a desire to duck the buck, wherever it may be. I would not want to say that—and I would let Dr. Rhoades speak to this because he and I may be slightly different on this. In my opinion, it is a close call where the trade-offs are—flexibility versus visibility and separate identity.

And, Everett, you have had more experience with the CHR program and can probably speak to it.

Dr. RHOADES. I don't believe I could really shed any light on it, Mr. McClure, and I agree with Dr. Graham.

I might just add a word of, I guess, slight caution about the establishment of medical priorities. We have done that to some extent in the past, as a matter of fact, but that is a concept that I think should be approached extremely carefully and after only deepest, thorough discussion with all the three major branches of government and the tribes themselves.

For example, if one were to push the concept to a not unreasonable level, one might find himself in a position of saying: Well, because a certain tribe has got a certain percentage, let's say, of complications of diabetes, should they then have a different set of resources to deal with that, than a separate tribe that has, perhaps, a preponderance of heart disease?

And, I just don't think that there is enough wisdom in the world to make a determination as to which disease is, indeed, the most pressing.

Senator MCCLURE. Well, somebody is going to make that evaluation at some point.

Dr. RHOADES. That decision is facing the United States generally in the next decade, no question about that.

Senator MCCLURE. The more we can put into one lump sum, the more flexibility there would be to meet the differences between tribes or regions. The more we put it into line items, the less discretion that can be exerted at the local level.

Dr. RHOADES. That is correct.

Dr. GRAHAM. I think, too, and particularly as you pursue it that way, we recognize that any time there is a move toward consolidation of budget items, whoever makes those decisions is going to be the focus of the pressures and the concerns of individual constituency groups.

Senator MCCLURE. You would rather it be us than you?

Dr. GRAHAM. By and large, I think it is our job, and the job of the people in Indian Health Services. I have come to know them, and I feel very comfortable making those decisions.

INPATIENT DAY COST

Senator MCCLURE. The information provided on page 51 of the justification shows an average inpatient day cost of $289 when provided by the Indian Health Service. When provided by tribal health services, the cost increases to an average of $624 per day.

Are those comparable figures for comparable services, and if they are not, what is the difference?

Dr. GRAHAM. There are several levels of difference. The figure cited for the Indian Health Service of $289 is a figure which is set nationwide, and is an estimate of the aggregate cost per inpatient day in all IHS facilities.

We do not have a specific service unit cost accounting system which allows us to identify the specific cost per patient or per hospital episode for individuals in IHS facilities.

However, the tribally operated hospitals, two of which are in Alaska—and which may have to do a little bit with the degree of variation in that figure because they are operating as independent facilities or free-standing facilities—do have to have some nature of a cost accounting system which does reflect the actual cost of that transaction.

So we believe that services provided in IHS hospitals and tribally operated hospitals are very likely comparable services, but the manner in which the average per diem rate is arrived at is not a comparable process.

Senator McCLURE. Well, now, you have said that two of those provided by the tribes directly are in Alaska. There are only four, I think, aren't there?

Dr. GRAHAM. Yes, and I believe that there are two in Alaska. Was that correct?

Dr. RHOADES. That is correct.

Dr. GRAHAM. Yes, sir.

Senator McCLURE. There are two in Alaska, one in Oklahoma. The fourth one is where?

Dr. RHOADES. Arizona.

Senator McCLURE. Do you have the cost average in each of those institutions separately?

Dr. GRAHAM. We could supply that for the record, sir.

INPATIENT COSTS IN ALASKA

Senator McCLURE. That would break out the abnormally high operating costs that are associated with almost everything that happens in Alaska.

Dr. GRAHAM. Yes, sir.

Senator McCLURE. But I am not sure that I understood why, other than that possibility, the measurement of the two cannot be the same. You have suggested you can't compare them because the measurements are different.

Can't you separate out the common elements and make a comparison?

Dr. GRAHAM. For us to do a specific institution-by-institution comparison——

Senator McCLURE. I am not asking that.

Dr. GRAHAM. OK.

Senator McCLURE. Separate out the Alaska, if we think that they are aberrations, and look at the remaining two. Wouldn't those compare against the average of all of the rest provided by the IHS?

Dr. GRAHAM. We think the generic differences between IHS and tribally operated hospitals, which might account for some difference in per diem, is: (1) economies of scale—the IHS is running a far larger number of hospitals than the tribes; (2) a degree of centralized procurement of supplies, such as drugs; and, (3) somewhat different wage scales in the IHS facilities rather than what they may be in the private sector.

Those, at least, would be three generic reasons why our costs may be somewhat lower than the tribally operated institutions.

Senator McCLURE. Does the inpatient day cost include the doctors' salaries?

Dr. GRAHAM. I don't believe our estimate of $289 would.

Dr. RHOADES. It would.

Dr. GRAHAM. It would, yes, sir.

Senator McCLURE. And would the $624 in the tribal health services include the doctors' pay?

Dr. GRAHAM. Mr. Roach says that that similarly does, yes, sir.

COMPARISON OF INPATIENT COSTS

Senator McCLURE. Could you provide for the record a comparison separating out the doctors' compensation?

Dr. GRAHAM. Dr. Rhoades says we can, and we shall.

[The information follows:]

Dr. Graham and Dr. Rhoades assumed that the cost accounting system was sophisticated enough to provide that information. However, the Indian Health Service cost accounting system which captures the costs of specific services, that is, medical inpatient, pediatric inpatient, does not break down these costs for specific professional services. This is also true for tribal hospitals. Physician services costs are available for private hospitals, however this does not include costs associated with staff physicians.

COST COMPARISON—IHS, CONTRACT HEALTH SERVICE AND TRIBAL HOSPITALS, FISCAL YEAR 1982[1]

IHS area	IHS hospital costs	CHS costs (private hospitals)	Tribal hospital costs	
Alaska cost per day	$319	$652	$654	Norton Sound Nome.
			499	Bristol Bay Kanakanak.
Navajo cost per day	206	578	321	Sage Memorial Hospital.
Oklahoma City cost per day	295	533	677	Okemah Creek Hospital.

[1]Costs are inclusive of hospital and physician services.

ECONOMIES OF SCALE

Senator McCLURE. I would think that if, indeed, the economies of scale lie in procurement policies that that might lead the tribes to want to at least contract with you for supplies.

Dr. GRAHAM. I don't know, but perhaps they may have already raised that issue.

Dr. RHOADES. They do this to some degree.

Senator McCLURE. If they already do that, then it shouldn't explain the difference in cost unless you are ripping them off. [Laughter.]

Dr. GRAHAM. I can't imagine such.

Senator McCLURE. I can't either.

Dr. GRAHAM. We will try to provide those more in detailed figures for the record.

[The information follows:]

IHS contracts four tribally operated hospitals which are authorized to use Government sources for purchase of supplies and equipment. These contractors may purchase supplies through the General Services Administration, the Federal Supply Schedule, from Veteran's Administration stocks and from the Health Resources and Services supply depot at Perry Point, Md. In addition, centralized IHS warehouses may be utilized to obtain supplies at the same rate charged to our direct operations. The following table reflects the fiscal year 1982 cost of supplies and the amount purchased through the sources stated above.

Area/hospital	Cost of supplies	Amount purchased thru Government sources
Alaska:		
Bristol Bay	$402,094	$320,583
Norton Sound	100,163	18,337
Oklahoma City: Creek	530,071	([1])
Navajo: Sage[2]	430,110	

[1] Central warehouse will be operational in Oklahoma City IHS area in fiscal year 1983 and current plans indicate Creek will utilize this to some extent.
[2] Hospital is affiliated with the Navajo Tribe, however, operation is with an all-indian Board of Directors.

INDIAN SELF-DETERMINATION

Dr. RHOADES. Senator McClure, if I might add——

Senator MCCLURE. Yes, sir.

Dr. RHOADES [continuing]. To the question, realizing it is dangerous, sometimes, to provide an answer for which a question hasn't been asked:

To quote my predecessor, Dr. Johnson, who really developed the concept of Indian self-determination and brought it to fruition in Indian Health Service, often said that "In order to institute that activity and get it going, it was going to cost some more money to do that." And, without identifying those additional costs, I believe it is fair to say that there is some additional cost associated with the startup aspect of that. Those programs are only 5 or 6 years old.

Senator MCCLURE. I have no question but that is the case, and I think we ought to try to measure and determine whether that cost is worth paying. If it is not exhorbitant, I would agree that it is worth paying, but at some point you would have to question whether it is worth paying, and you ought to look at what the components to make that cost comparison.

PHOENIX INDIAN MEDICAL CENTER

Indians living in and around the city of Phoenix comprise approximately 20 percent of the beneficiary population of the Phoenix Indian Medical Center, yet they account for over 70 percent of the inpatient days in that facility.

Consequently, the Phoenix Hospital is not able to fulfill its responsibility as the referral center for the small outlying IHS hospitals and clinics. Most patients from these areas are referred to non-IHS facilities.

Do similar situations exist in the other cities housing IHS referral centers?

Dr. GRAHAM. No; that does appear to us to be a unique circumstance.

USE OF COMMUNITY RESOURCES

Senator MCCLURE. Institutionally, is there any action which can be taken to encourage greater use of other community health resources by the Indians living in the larger cities such as Phoenix?

Dr. GRAHAM. One issue that this would lead us into immediately is the contract health services issue which we have already discussed. Obviously, availability of services at the Phoenix Area Medical Center for the unusually large concentration of Indian beneficiaries, who do live in the metropolitan Phoenix area, is one of the reasons that contributes to the uniqueness. If we were to try to seek other community-based resources for these individuals to allow the medical center to do more of the referral work, then we would be talking about paying additional contract health services dollars to these institututions.

Senator MCCLURE. Negotiations have been under way to allow private physicians to practice at the Bethel, Alaska hospital and to open the facility to nonbeneficiary patients on a fee basis. Legislation has been proposed which would extend this practice to all IHS facilities where excess space exists. While that appears to be a reasonable course of action, particularly in isolated areas where the IHS hospital may be the only medical center within miles, we do have some concerns. Will the private doctors and patients be required to pay the full cost of all services provided?

Dr. GRAHAM. The operating assumption that we are going into these negotiations with, is that such private arrangements will have to pay their own way.

Senator MCCLURE. The full cost.

Dr. GRAHAM. Yes, sir.

MEDICAL CARE FOR NONBENEFICIARIES

Senator MCCLURE. In addition to the costs of operating the hospitals, other costs might be incurred by this practice. For instance, it might be necessary to hire additional nurses to care for the patients or additional clerical staff to do the billing. These people would be Federal employees who might not be needed if only the beneficiary population were served. As Federal employees, they would be eligible for Civil Service retirement, and in places like Bethel, they would be eligible to live in IHS staff quarters. Will you be able to calculate all of the direct and indirect costs of extending medical care to nonbeneficiaries and to recover all of these costs?

Dr. GRAHAM. Since Dr. Rhoades has been closer to the specific negotiations going on at Bethel that you're referring to, I would like to have him respond to that particular question.

Dr. RHOADES. Two aspects of that; first, the necessity to protect the Indian beneficiary, and the negotiations, I think, have progressed very nicely with the understanding that the care of non-Indian patients will

not interfere with the care of Indian beneficiaries, even to the point that non-Indian patients will be tranported to other facilities, in order to provide for care of the Indian beneficiaries.

In relationship to the secondary costs—ultimate cost, fringe benefits, and so forth, of doing business—we believe that we can negotiate those kind of costs, as well; so that the Federal Government does not have to assume the responsibility for, let's say, retirement for individuals who are hired, basically, to provide care for non-Indian patients, even though some of the activities that they are engaged in would result in care for Indian patients also.

Senator McCLURE. There are some offsets, of course. Unit costs, fixed overhead costs, to spread over a large base, and that should reduce or offset, to some degree, the increased cost of operation and thereby render a benefit to the Indian population.

You spoke of the conflict between the ability to provide for the Indian patients and the non-Indian patients. If it became necessary to move somebody out of the hospital in order to make room for the Indian population you're prepared to make that step.

Dr. RHOADES. Yes, that's correct. Medical judgment would obviously have to bear upon that.

Senator McCLURE. Of course.

Dr. RHOADES. We wouldn't want to injure the health of a person in order to do that.

Senator McCLURE. But there you may get yourself into a real problem. That hospital's 500 miles away. That means you're going to take somebody who is non-Indian who's in that hospital, and you will be responsible for the transportation of somebody to another facility 500 miles away. Is that correct.

Dr. RHOADES. That's conceivable that that could happen.

Senator McCLURE. Who's going to pay that?

Dr. RHOADES. We would anticipate—we haven't negotiated that finally—that that would be a burden that would have to be borne by the corporation, not the Federal Government.

Senator McCLURE. The corporation, the Indian corporation?

Dr. RHOADES. Yes.

Senator McCLURE. In that instance?

Dr. RHOADES. That would be the people that we would be contracting with.

Senator McCLURE. What if it's not enough——

Dr. RHOADES. I'm sorry. It is a private corporation.

Senator McClure: Not a member of the tribe. Oh, you're talking about the hospital corporation.

Dr. RHOADES. That's right.

Dr. GRAHAM. The corporation with which the non-Indian practitioners would be associated.

CONSTRUCTION OF SACATON HOSPITAL

Senator McCLURE. Planning and design funds were appropriated in fiscal years 1982–83 for the Sacaton Hospital. Have any of these funds been spent?

Dr. GRAHAM. We are still in the stages of Departmental review on the Sacaton facility. Before we can move to the planning and design phase, we must have an approved plan that the various entities within the Department have reviewed and are comfortable with. We do not yet have such plan within the Department.

Senator McCLURE. When do you expect to have such a plan?

Dr. GRAHAM. We have made one proposal already to the Office of the Assistant Secretary, which has returned that proposal to the agency and the Indian Health Service with some questions, and a request that we look and cost-out some additional options. We are in the process of doing that, and I believe that we will be returning that revised proposal, with those options, to the Assistant Secretary's Office within 2 to 3 weeks. Their action on that, whether they find our responses satisfactory, or whether they have another set of questions, I can't anticipate.

Senator McCLURE. In that Departmental review, have questions been raised regarding the need for the replacement for that facility?

Dr. GRAHAM. Questions have been raised regarding elements of that need; yes, sir.

Senator McCLURE. That has to do with the scoping of the facility? The elements of that need. Are you talking about physical elements? Are you talking about need?

Dr. GRAHAM. For instance, one question that we have been asked is, rather than including within that facility a full-blown center for labor and delivery, whether it would be possible to have associated with the center something called a birthing center, which would be a lower technology method of handling some percentage of labor and delivery but not all of the ones that might become somewhat complicated. That is an issue that we're looking at. We have to look at what alternative facilities might be available, either in the community surrounding the Sacaton facility or in Phoenix, to give a response to those questions.

Senator McCLURE. Does Sacaton fall within the Phoenix service unit?

Dr. GRAHAM. No, sir.

Senator McCLURE. Could the Phoenix Medical Center absorb all the patients from Sacaton or would contract care be used if the Sacaton hospital were closed and not replaced?

Dr. GRAHAM. Because of the present occupancy level in Phoenix, we anticipate that Sacaton referrals would likely have to be covered by contract care.

Senator McCLURE. I'm not sure that I recall what you indicated would be the timing with respect to the Department review.

Dr. GRAHAM. I did not give you a deadline, sir. I indicated that I thought the next turn of the wheel would be in approximately 2 to 3 weeks as we submitted our revised proposal to the Assistant Secretary's office.

Senator McCLURE. Isn't a deferral required with respect to the 1982 money, if you don't go ahead soon?

Dr. GRAHAM. I believe that is no-year money, sir.

Senator McCLURE. I think that's correct. But if I understand correctly, what you are doing is studying whether it ought to be built. If you decide it shouldn't be, then you have to seek the rescission, don't you?

Dr. GRAHAM. If a decision were made in the Department not to move forward on any aspect of Sacaton design or construction, then my understanding is that we would have to communicate with the committee and either seek rescission or deferral. It probably would be rescission.

Senator McCLURE. But you don't anticipate that result; am I correct?

Dr. GRAHAM. I do not know the result at the present time.

Senator McCLURE. I know you don't know it. What do you anticipate?

Dr. GRAHAM. Too close to call.

Senator McCLURE. On the issue of whether to go ahead at all?

Dr. GRAHAM. Yes, sir.

Senator McCLURE. If that's the case, I won't question your judgment of that, I would hope you would advise the committee upon some kind of predictable timetable as to whether you are going to advise going ahead or whether you're going to advise stopping, so that we can take appropriate notice of that in the budgetary actions we will take this year.

Dr. GRAHAM. I understand.

IHS INPATIENT COSTS VERSUS CONTRACT COSTS

Senator McCLURE. In the Phoenix service unit, how do IHS inpatient costs compare to contract costs?

Dr. GRAHAM. I believe Dr. Rhoades has some specific figures on that.

Dr. RHOADES. In the Phoenix service unit itself, the appropriate average cost for hospital contract care is $665 per patient per day, not including physician charges which ordinarily run about $165 per patient per day. So that, in total, it would cost about $830 a day for contract care in that area.

For purpose of medicare type reimbursement, which is the most customary for the Indian Health Service to deal with, we calculate our inpatient cost at $272 a day, which includes physician charges; so that the difference then, between care as we calculate it in Indian Health Service facilities and contract care in that area, would be about $550 per day.

Senator McCLURE. Can you prepare an analysis of the time that would be required for the Federal Government to recoup its investment in a new hospital for Sacaton, based on the additional costs of contract care if no facility were available?

Dr. GRAHAM. Yes, sir, we will do so.

[The information follows:]

The average cost for hospital contract care is $702 per patient day in the Phoenix service unit. The IHS estimates its patient costs at $272 a day for the purpose of medicare/medicaid and other reimbursements and does not reflect true costs. The difference

in cost for contract inpatient care and IHS inpatient care is $430 per patient day. Based on the difference of $430 per day for the 25 ADPL (32 beds) projected for Sacaton, the cost (estimated at $18 million) of constructing a facility would be recovered in 4 years.

In a recent analysis, the cost to operate an ambulatory care center and contract out the inpatient workload at Sacaton was estimated to be between $9.7 million and $10.3 million. The operating costs (including amortization of capital costs) for a 20-bed hospital (including ambulatory care) have been estimated at $8.3 million (without quarters) and $8.5 million (with quarters) per year. These figures show that the difference in costs would be between $1.2 million and $2 million per year. At these rates, it would take between 8 to 14 years to recover costs.

TANANA PATIENT HOSTEL

Senator MCCLURE. The Tanana Chiefs Conference has requested assistance in the completion of a patient hostel which is being built with State appropriated funds. How much money is involved, and is there any reason that the Indian Health Service should participate in funding this construction project?

Dr. GRAHAM. Dr. Rhoades?

Dr. RHOADES. The development of the hostel in Fairbanks grew out of closure of the Tanana Chiefs Hospital about 1 year ago, and was deemed to be necessary by the Tanana Chiefs to achieve optimal use of facilities in Fairbanks. My understanding is that various governmental agencies have proposed to support that hostel. For example, I believe the city has donated some land to the tribe, to that group, to build the hostel. And I understand that the State has proposed to use money for the building of that facility. And we initially had a request from that group to use carryover funds that had not been expended from a tribal contract in the previous fiscal year. Unfortunately, those funds were not construction funds but patient care funds, and it was felt that a request to reprogram those funds would probably not be favorably received by Congress.

And what we are attempting to do at the present time is to identify any conceivable construction funds that Indian Health Service might have as a result of prior construction in the so-called X account. It is a matter of opinion that I am giving you now, and I don't believe it's ever been established as a policy. In that particular instance, my personal opinion that it is not inappropriate to use funds for the establishment of an ancillary patient facility that would, indeed, improve the patient care in Fairbanks.

I'd be glad to provide for the record the amount, which I don't have at hand.

Senator MCCLURE. If you would do that, both the total amount and, again, in your judgment, if it's appropriate that Indian Health Service should participate.

Dr. RHOADES. The degree of participation expressed as——

Senator MCCLURE. In terms of percentage of total or in dollar amount.

Dr. RHOADES. I'd be prepared to provide that; yes, sir.

[The information follows:]

IHS PARTICIPATION IN HOSTEL IN FAIRBANKS

The IHS has been asked to provide approximately $250,000 for the completion of the facility. The IHS believes that this type of facility is a beneficial aspect to the overall delivery of health care, especially in the remote areas of the country. It provides space for the complete recovery of patients before returning to their respective villages and will also enable family members to be near when a patient is hospitalized.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you Dr. Graham and you, Dr. Rhoades. There are some additional questions which we have asked that you answer for the record.

I appreciate your patience in answering questions today.

Dr. GRAHAM. Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Injunction Against Hiring

Question: We understand that as a result of an Indian preference suit filed in Alaska, the Indian Health Service has been prohibited from filling any vacancies until its policies on Indian preference employment have been clarified. Furthermore, it took five weeks for the Justice Department to file an appeal. Was the delay in filing the appeal with the Justice Department or within the Department of Health and Human Services?

Answer: The U.S. District Court for the District of Alaska did not invalidate or ask for clarification of Indian Health Service policies on Indian preference, but rather the Court's February 4, 1983, order invalidated the qualification standards of the Department established by the Secretary pursuant to the Indian Preference Act, 25 U.S.C. 472, for Indian applicants for positions in the IHS. The qualification standards at issue in this litigation were initially established in 1934.

The District Court judge reached his conclusion based on his belief that the record showed a "blind transference" of general civil service criteria to IHS jobs, without consideration of alternative criteria taking into account the unique status and needs of Indians as Congress intended. The Court's conclusion was apparently based on its assumption that because the Secretary could not document the alternatives considered in establishing standards for Indians in 1934, no such consideration took place.

The Department of Justice was not notified of the District Court's order until February 25, 1983. Justice filed a motion to stay the District Court's order on March 18, 1983. On April 7, 1983, a Supplemental Declaration of Edward N. Brandt, Assistant Secretary for Health, was filed with the District Court further particularizing the critical impairment in the delivery of needed health services that had occurred and would continue to occur if interim relief from the District Court's order was not granted. On April 14, 1983, an Emergency Motion for a stay was filed with the U.S. Court of Appeals for the Ninth Circuit. On April 19, 1983, the District Court granted our Motion for a Stay pending appeal.

Question: As a result of the freeze, we understand that the Intensive Care Unit (ICU)at the Alaska Native Medical Center (ANMC) has been closed and that those patients have had to be transferred to community hospitals for care. How do the ICU rates at other Anchorage medical facilities compare to the IHS rates?

Answer: Effective April 15, 1983 the Alaska Native Medical Center could not guarantee 24 hour coverage for seriously ill patients in the ANMC ICU. Between April 15 and April 20, had there been any seriously ill patients requiring ICU services they would have been transferred to local private hospital intensive care units. Fortunately, no cases required these services. Now that the freeze has been lifted, immediate staffing actions will be taken. Rates in private hospital ICU are $1,000-$1,100 per day, twice the IHS cost.

Staffing of Chinle Hospital

Question: One hundred thirty nine additional positions were provided in the fiscal year 1983 bill for the staffing of Chinle Hospital and to meet some of the shortfall in other areas. Had you been able to fill any of these positions prior to the injunction?

Answer: Yes. The injunction did not have a negative effect on the hiring of staff for Chinle.

Indian Preference

Question: Through the Senate report accompanying the fiscal year 1982 appropriation bill, the subcommittee had expressed its concern over implementation of the court decision regarding Indian preference hiring. Our reading is that the Court required that an Indian be given absolute preference

in situations where two or more people are equally qualified. According to a report issued by the Department's Inspector General (IG) in January 1981, Indian applicants must meet only the minimum requirements for the available positions. When that occurs, all screening of non-Indian applicants ceases. According to the IG's report, this leads to excessive delays in hiring and often results in the hiring of underqualified individuals. Does the IHS provide any special training to assist those who may be only minimally qualified for a job to better meet the requirements of that position?

Answer: An Indian applicant must meet the same minimum standards as a non-Indian applicant to be considered for a position. The IHS offers training and continuing education to its employees with the expectation that this will enable the employees to maintain their professional competence, improve their job performance and assist with their career goals including upward mobility. IHS also has provided scholarships (primarily to Indians) aimed at producing qualified candidates for IHS positions.

Question: The IG's report also stated that in some instances, rather than hire an underqualified applicant, the position has either been allowed to remain vacant or been abolished altogether. Dr. Rhoades, this report was issued prior to your assuming your job as Director of the Indian Health Service. To your knowledge, are these problems cited by the IG's office still the same?

Answer: We are always anxious to hire the best people we can attract keeping in mind that the policy of the Federal Government is to maximize Indian control of Indian programs. An Indian applicant must meet the same job standards as a non-Indian applicant. Where there are sound management reasons, our procedures permit us to refuse to select anyone from a panel regardless if the panel is made up of Indians or non-Indians. Management reasons may be based on such judgments as the pool of applicants being too limited or a desire to attract candidates with broader experience.

Question: How do you propose to meet the court requirement arising from this suit pertaining to employment policies?

Answer: The decision of the District Court will be appealed. In the meantime, the District Court has granted a stay pending appeal and IHS has resumed hiring under the same rules and procedures in place before the Court's decision.

Question: There are not -- and may never be -- enough Indian doctors and nurses and other health care professionals to meet the demand of the Indian Health Service. Is it possible to make hiring practices less cumbersome for those positions required for provision of direct health services for which there is an insufficient pool of Indian applicants?

Answer: In regards to physicians, nurses, and health care professionals, Indian preference does not really hinder the recruitment of these individuals since most of these positions are on an open and continuous announcement. The personnel requirements of both the Civil Service and PHS Commissioned Corps cause delays in the hiring of physicians, nurses and other direct care health professionals. Other hindrances are the lack of adequate compensation compared to the private sector, inadequate housing and the isolation of many of the IHS facilities.

Clinical Services

Question: Have you estimated the cost of relocating employees from one area to another?

Answer: Based on IHS actual experience, the average cost is $8,000 per employee.

Question: For the record, please supply a list showing where each of the 238 positions necessary to staff new facilities will come from; the authorized and the actual staff levels of the facilities which will lose personnel; and anticipated costs of moving personnel from one location to another.

Answer: Based on a comparison of the IHS' average patient/staff ratio to individual facility patient/staff ratio, the IHS has identified seven hospitals from which staff could be redirected to a new facility. These from which staff could be redirected follow. However, it must be noted that this listing does not take into account the staff configurations by types of positions. Those staff positions necessary to adequately staff a new facility may not be the same as those available from the following facilities. Therefore, the IHS strongly recommends that further studies be carried out before selecting the hospitals in which to reduce staff rather than utilizing a straight patient to staff ratio to make these decisions.

Acoma-Canoncito-Laguna
Albuquerque
Santa Fe
Zuni
Bethel
Tuba City
Whiteriver

The IHS average cost of moving personnel from one location to another is $8,000. For 238 staff the personnel relocation cost would amount to approximately $1.9 million.

Question: The IHS often faces recruitment and retention problems of health professionals. After filling vacant positions, how many new doctors and nurses do you think could be recruited a year?

Answer: For July 1984 it is anticipated that the IHS will need to recruit 225 physicians and 500 nurses to fill existing vacancies or as replacements for physicians and nurses leaving the IHS. Major obstacles to the recruitment and retention of health professionals, especially physicians and nurses, include isolated locations assignments, professional isolation, lack of housing, lack of social opportunities with peers, and lack of employment for spouses.

Contract Care

Question: The entire Portland Area is dependent upon contract care funds for all health care as the Indian Health Service has no hospitals in that Area. Have you allowed greater discretion in the use of contract funds where contract care is the sole resource?

Answer: Yes. Each IHS area is required to establish area wide medical priorities for use of Contract Health Service (CHS) funds. In areas such as Portland which are more dependent on CHS, medical priorities out of necessity must allow more discretion than locations that have more direct care capability. However, constraints on CHS funds mandate that IHS fund only the highest medical priority. In general, this means that each IHS area is on an emergency only medical priority. Places such as Portland have no IHS facilities and staff which can be required to stretch and provide a little more service within available resources. With contract care, each unit of service provided in the private sector must be reimbursed at the contracted unit rate.

Question: Have you any estimate of the backlog of minor operations which can be met only through contract funds?

Answer: The estimate of unmet surgical cases is 2,400.

Task Force Report

Question: Have you any estimate of the funds such a practice (paying providers at Medicare rates) would allow to be spent for the purchase of additional health care?

Answer: The latest estimate of the dollar amount of additional services which IHS might be able to purchase if we reimbursed hospitals at the Medicare allowable rate, rather than at the billed charges level, is $13 million. An additional $13 million in ambulatory and other services also might be

provided. These estimates are not firm and are based on the assumption, among others, that private providers will accept these lower rates as payment in full without shifting costs to the individual Indian.

Question: For years, IHS has allocated available resources based almost entirely on the amount available to each area in the prior year. The Task Force recommends a reorientation which would be based on a system of medical priorities. Do you plan to follow this recommendation? If so, do you feel that any congressional action is required?

Answer: The Task Force has recommended both development of improved resource allocation formulae and a set of medical priorities. Both require considerable staff work, review, testing and evaluation. We will initiate the staff work shortly within available resources but cannot complete this work in FY 84 and FY 85. A request for congressional action must await departmental review.

Question: The Task Force ranks tertiary care, chronic maintenance and support services in the fourth level of priority. If the medical priority system were followed, would you propose to immediately terminate anyone whose care falls under that category or to phase out the provision of these services?

Answer: It would be premature to address specific operational implementation plans for an incompletely defined system based upon broad hypothetical categorization. However, IHS would prefer not to immediately terminate anyone from receipt of essential health services but rather implement any new system through a phased approach, e.g., do not accept new patients for a specific service.

Question: For the record, please provide the departmental position on each of the 24 recommendations of the Task Force; the status of implementation of those recommendations which are planned for implementation; and a brief statement concerning those recommendations which are not planned for implementation.

Answer: A draft implementation plan has been developed for consideration by the Director, IHS, and major policy issues, e.g., eligibility, are under review by the Department. We have sorted the recommendations for policy and technical/operation issues. The policy issues are under review within the Department. We will shortly be reviewing the technical/operation recommendations and, as appropriate, will initiate the staff work required to implement them. We now are in a position to hold briefings for all IHS Area Directors, their staffs, and tribes to discuss the report and implementation plan with them.

We have provided a copy of the Task Force Report to tribal chairmen and national Indian organizations and have asked for their comments. Their comments are beginning to come in and range from rather complete acceptance of the recommendation to rather complete rejection. However, the issue of changes to eligibility and potential limitation of services cause the greatest expressions of concern in their comments.

Question: Based on the priorities for services developed by the Task Force and including only current reimbursement figures, how far will the fiscal year 1983 budget allow the IHS to go toward meeting the needs under Categories A, B and C?

Answer: The Task Force Report presents one hypothetical model that could be utilized to establish general medical priority categories. Before any operational decisions or projections utilizing such categories could be made, considerable data collection and analysis must be completed to allow much more definitive categorization and specificity. Without such analysis, Category A alone is broad enough to consume the total amount of current resources available to IHS. Therefore, it would be premature to speculate on what priority level could be achieved within current IHS resources.

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Priorities in the IHS Budget

Question: Are there other programs currently carried as line items which should more properly be contained in the hospitals and clinics account, that is, activities which are directly related to the provision of health care?

Answer: Nearly all IHS program activities are directly related to the provision of health care. Any "line itemization" is more a description of the specific program activity or function being conducted than a distinguishing factor as to whether the item is related to the direct provision of health care. For example, administrative personnel to arrange the transport of patients or order essential drugs and supplies are essential and directly related to the provision of health care. The same is true of public health nurses who assure children are adequately immunized against preventable infectious diseases.

Question: If we were to make a change in the appropriations structure so as to provide only three lines in the Services' account; clinical services; program administration; and another for which we don't have a title, but which would include programs which are nice to have, but secondary to the essential mission of the IHS such as alcoholism, urban health, health education and possibly others, could you make decisions, for example, on funding an alcoholism project as opposed to an urban project, or is that comparing apples and oranges?

Answer: Decisions could be made to fund one project versus another based on IHS' judgment of the relative need of the project in question.

The IHS provides an array of services, all of which are deemed to be valuable. Making comparisons between various programs can in many instance be compared to making choices between "apples and oranges."

Additionally, it should be pointed out that programs such as alcoholism and mental health have been authorized by the Congress to meet special health problems of the Indian population. In some instances, clinical care components of these programs have been developed could be continued as part of clinical services.

Maintenance and Repair

Question: Eight million two hundred sixty seven thousand dollars is requested for maintenance and repair. What is the present backlog of essential maintenance and repair items?

Answer: The present backlog of essential maintenance and repair items is over $68,400,000. An additional $34,700,000 is required to correct code deficiencies.

Question: In addition to these budgeted funds, how much will be available from the Medicare/Medicaid collections to address these requirements?

Answer: The funds that will become available for M&R from the Medicare/Medicaid collections is $6,000,000.

Question: What is the total Federal investment in capital and equipment for the IHS?

Answer: The total Federal investment in capital and equipment for the IHS is:

Capital	$259,428,000
Equipment	85,496,108
Total	$344,924,108

Tribal VS IHS Delivery

Question: If the medical priority system is adopted for decisions on allocation of resources, will this be applied equally to tribally contracted operations as well as those run directly by the IHS?

Answer: Yes.

Impact of School Closures

Question: Impact of School Closures - The Mt. Edgecumbe boarding school is scheduled for closure at the end of this school year and most likely the Intermountain Boarding school will close at the end of the 1983-84 school year. Have you any information on the student and school staff use of the Mt. Edgecumbe hospital as a percentage of total inpatient and outpatient days?

Answer: With the Mt. Edgecumbe Boarding school closing June 1, 1983, the inpatient workload at Mt. Edgecumbe Hospital will decrease 1.4 admissions per week or 700 inpatient days per year and the ambulatory workload will decrease by 6% (1,313 outpatient visits). The Wellness Center, a small part of the outpatient clinic which treats students, well-babies and employees at the hospital, will be the only part of the facility really affected by the school closing. After the BIA school closes, the activities of the Wellness Center will be oriented to village health promotion in keeping with the Surgeon General's emphasis on health promotion.

Question: There are some additional costs which IHS will have to assume when the school is closed. Have you an estimate of the total additional costs and can some of those costs be offset by the decrease in utilization which should occur with the school closure?

Answer: In FY 1982, the Alaska Area budgeted and paid to the BIA $409,226 for common services. The IHS will be taking over operations which were provided by the BIA. The cost to the IHS depends on how many of the existing BIA operations can be shut down. Three operations, heating, electrical service and laundry, account for 85% of the total cost.

Electrical Cost - Costs cannot be reduced without major expenditures for construction. The local utility has refused to work on or take responsibility for our electrical distribution system for safety reasons. The only reduction would come from decommissioned buildings. We estimate a 35% cost reduction.

Water, sewer, ground and streets service and maintenance costs will not decrease much if IHS has to provide the necessary maintenance staff and equipment. The City of Sitka has tentatively agreed to maintain water, sewer, grounds and streets for the equivalent of two man years.

Fire Protection - Since FY 1982 an arrangement has been entered into whereby the City of Sitka provides service to all major government operations on the Island. IHS will have to pay the BIA share when the BIA leaves.

Laundry Services - Funds have been made available by Congress in the amount of $500,000 to install a laundry within the hospital.

Summary:

Total cost to BIA in FY 1982	$1,668,339
IHS share of costs	$409,226
Additional costs to IHS	172,143
IHS cost of maintaining services after closure	581,369

Question: How much is IHS currently spending in conjunction with the Intermountain Boarding school?

Answer: The IHS spent $762,600 in FY 1982 in operations costs for Brigham City School Health Center at Brigham City, Utah.

Question: Will the funds be directed to others?

Answer: When the Intermountain Boarding school closes, these funds will be directed to other health facilities.

Hospital Usage

Question: Last year Arizona established a Health Cost Containment System which is designed to provide some state assistance to the needy. As we

understand it, there has been little or no effort on the part of the state to include Indians in the program. Has the IHS approached state officials in an effort to ensure that the Indians of Arizona have equal access to this program as do the other citizens of the state?

Answer: There have been extensive discussions between the IHS area offices and the State of Arizona regarding their Medicaid pilot otherwise known as AHCCS. However, Indians are included in the program, and the IHS will be reimbursed for services provided to enrolled Indians.

The state has experienced some delays in getting their payment operations going, not only to IHS but all providers. However, IHS in Tucson received its first payment for its first billing about two weeks ago ($111,000).

Reclaiming Silver

Question: It has been brought to our attention that the IHS is required to give its exposed x-ray film to the Veterans Administration which then reclaims the silver. Have you any estimate of the value that is made available to the VA by IHS?

Answer: A governmental policy requires agencies to reclaim any precious metals. The value associated with these metals in FY 1982 is $32,545. The processing of these metals is done by other government agencies or with private contractors. The cost associated with the processing would be offset against the value and IHS would receive funds less for the value less the cost. The funds are turned over to the Treasury and are not available for use by IHS.

Question: What would be required to allow the IHS to reclaim the silver and use the proceeds to support your operations?

Answer: Legislative authority may be necessary.

Construction-Sanitation

Question: The conference report accompanying the fiscal year 1982 supplemental appropriations bill stated that the $11 million contained for sanitation was the final funding the Committee would provide for water and sewer systems for housing units constructed by the Department of Housing and Urban Development. Since the bill, additional sanitation funds were provided in the fiscal 1983 bill and the jobs bill. Has IHS followed the directive and halted further support of HUD projects?

Answer: The IHS has not used any of its Fiscal Year 1983 appropriation or the jobs bill appropriation to provide sanitation facilities to the Department of Housing and Urban Development (HUD) sponsored housing projects. However, the IHS is continuing to work with HUD, following an OMB directive, to provide sanitation facilities to HUD sponsored housing units with funds transferred from HUD to IHS.

Question: With the $39 million provided in the jobs bill, is the sanitation program fairly current now?

Answer: The $39 million appropriated in the jobs bill will be used to construct the sanitation facilities necessary for the approximately 1,900 housing units to be funded by the BIA with its $30 million jobs bill appropriation. Additionally, it will provide sanitation facilities to new or renovated housing units provided by the tribes or others which will be under construction this Fiscal Year. The remaining funds from the $39 million will be used to provide essential sanitation facilities for existing Indian homes and communities by funding the top priority projects out of a total of $479 million of identified unmet need for sanitation facilities. In addition, as provided in the jobs bill, a portion of Alaska's allocation may be utilized for modernization and repair projects.

Question: No funds have been requested for any construction activities. If we were to add construction funds, how would you prioritize the needs for hospitals and clinics, personnel quarters and sanitation?

Answer: It is difficult to prioritize between medical care facilities and sanitation facilities. Hospitals, clinics and staff housing for the medical personnel are essential to provide effective medical care. Safe water supply and sanitary sewage disposal facilities are a vital and necessary part of any program to improve the health of the American Indian and Alaska Natives.

Question: For the record, please provide the construction projects you would recommend at a level of $25 million, $50 million, and $75 million.

Answer: The tables that follow show the different funding levels.

INDIAN HEALTH FACILITIES

CONSTRUCTION PROJECTS FOR VARIOUS FUNDING LEVELS

$25 Million

Priority	Facility	Available	Future Funding
1.	Browning, MT Hospital	$ 7,750,000 (D&C)	$ 8,415,000 (C&E)
2.	Crownpoint, NM Hospital	1,326,000 (D)	16,589,000 (C&E)
	TOTAL	$ 9,076,000	$25,004,000

$50 Million

Facility	Available	Future Funding
1. Browning, MT Hospital	$ 7,750,000 (D&C)	$ 8,415,000 (C&E)
2. Browning, MT Qtrs. (32)		3,875,000
3. Crownpoint, NM Hospital	1,326,000 (D)	16,589,000 (C&E)
4. Ft. Duchesne, UT Qtrs (9)	-0-	878,000 (D&C)
5. Tsaile, AZ Qtrs (25)	-0-	1,947,000 (D&C)
6. Huerfano, NM Qtrs (9)	-0-	867,000 (D&C)
7. Sanitation Facilities	-0-	10,000,000
8. Kyle, SD Health Center	-0-	3,480,000 (D&C&E)*
9. Site Selection Surveys	-0-	100,000
10. Kyle, SD Qtrs (25)	-0-	1,875,000 (D&C)*
11. Various Energy Projects	-0-	1,707,000
TOTAL	$ 9,076,000	$49,733,000

D = Design
C = Construction
E = Movable Equipment

* = Precise cost estimates are not possible because requirement documents have not yet been approved by HHS.

NOTE: The tables above provide full construction funding of all new projects, the funding approach favored by HHS. If phased construction funding is utilized, 60 percent of the estimated construction budget and 25 percent of the movable equipment budget should be available before awarding the first phase construction contract for a new hospital. Phased funding is not feasible for health center projects because of their small size.

$75 Million

Priority	Facility	Available	Future Funding
1.	Browning, MT Hospital	$ 7,750,000 (D&C)	$ 8,415,000 (C&E)
2.	Browning, Mt Qtrs. (32)		3,875,000
3.	Crownpoint, NM Hospital	1,326,000 (D)	16,589,000 (C&E)
4.	Ft. Duchesne, UT Qtrs (9)	-0-	878,000 (D&C)
5.	Tsaile, AZ Qtrs (25)	-0-	1,947,000 (D&C)

Priority	Facility	Available	Future Funding
6.	Huerfano, NM Qtrs (9)	-0-	867,000 (D&C)
7.	Sanitation Facilities	-0-	20,445,000
8.	Kyle, SD Health Center	-0-	3,480,000 (D&C&E)*
9.	Site Selection Surveys	-0-	100,000
10.	Kanakanak, AK Hospital	1,259,000 (D)	14,822,000 (C&E)
11.	Kyle, SD Qtrs (25)	-0-	1,875,000 (D&C)*
12.	Various Energy Projects	-0-	1,707,000
	TOTAL	$10,335,000	$75,000,000

D = Design
C = Construction
E = Movable Equipment

* = Precise cost estimates are not possible because requirement documents have not yet been approved by HHS.

Unobligated Balances

Question: Twenty two million three hundred ninety one thousand eight hundred thirteen dollars appropriated for construction projects was carried forward from Fiscal Year 1982 to 1983. According to the justification no funds will be carried forward into fiscal 1984. Is that accurate?

Answer: Current information indicates that some of these funds will be carried forward. The exact amount depends upon the ability of IHS and ROFEC to award contracts for the balance of the year.

Question: Is any of that $22 million savings from completed projects which may be available for other projects?

Answer: Yes, some of it is savings. However, until the construction projects are completed, the exact amount is unknown.

Question: For the record, please provide a current construction status report.

Answer: The information follows:

INDIAN HEALTH SERVICE FACILITIES
PLANNING AND CONSTRUCTION
PROGRESS REPORT
FOR PERIOD ENDING 4-30-83

HOSPITALS - NEW, REPLACEMENT & MAJOR MODERNIZATION

Aberdeen Area

Rosebud Comprehensive Health Facility, South Dakota (Replacement - 35 beds)

Funds in the amount of $1,248,000 was appropriated in FY 1982 for the design and planning of a replacement facility at Rosebud. These funds were apportioned September 17, 1982. The PID was completed and forwarded in May 1982. On July 16, 1982, PHS requested that OFE do a site evaluation. The Phase II site survey of potential sites was submitted to Headquarters on December 20, 1982. The recommended site is 40 acres near the rodeo grounds and has been approved by the Tribe, ROFEC VIII, and the Area Director. The Tribe submitted a request for a P.L. 93-638 contract. PHS and OFE are reviewing the proposal but will not endorse it until the PID has gone before the PHS Facilities Review Board.

Alaska Area

Kanakanak Hospital, Alaska (Modernization - 10 beds)

In FY 1981, $1,259,000 was appropriated for design and technical services and the funds have been apportioned. A site visit was made June 17-18, 1981 with

the recommendation that IHS use as much of the existing facility as will be functional. Bristol Bay Area Health Corporation (BBAHC) applied for a grant under the P.L. 93-638 authority. After the Area and Headquarters review, it was recommended to BBAHC that they reconsider their decision to use the P.L. 93-638 mechanism. BBAHC decided to allow ROFEC to design the facility with the proviso that funds be made available to them so that they may participate in the design process (attending meetings with the A/E). A FEC 1-4 for design and technical services was sent to OFE January 22, 1982. A contract was signed with Carroll Martell, AIA on September 30, 1982. The site for the new wing has been approved by IHS. The A/E is now in the schematic design phase. A meeting was held on March 29-30 in Los Angeles with the A/E, ROFEC X and IHS Headquarters representative concerning the development of the schematics. Review of the 50% schematics has been completed. Design completion is scheduled for January 1984.

Alaska Native Medical Center, Anchorage, Alaska (Seismic Study)

An FEC 1-4 was sent to OFE on July 30, 1982 in the amount of $60,000. These funds were reprogrammed for contracting for a study of the stability of the ANMC site. The contract was signed September 24, 1982 with Shannon & Wilson. A preliminary report shows that the site can be buttressed (stablized) for $10 million not including possible land acquisition. The draft of the final report is being reviewed.

Billings Area

Browning Health Facility, Montana (Modernization - 27 beds)

In FY 1981, $1,050,000 was appropriated for design. A FEC 1-4 was sent on July 6, 1981 to OFE. In FY 1983, $6,700,000 was appropriated for construction. A design contract was awarded on September 29, 1981 to the A/E firm of Myers in joint venture with Page & Warren. A feasibility study was made and IHS's decision, based on the study, is to utilize the 1960 addition of the existing space for central stores, community health, and all of maintenance with the exception of biomedical equipment repair. The remaining programs will go into new space. The final schematics, dated 2/14/83, were reviewed and comments sent to ROFEC VIII on 2/25/83. A conference was held the first week in March at Great Falls, MT to review the preliminary design drawings. On May 15, 1983, another conference is scheduled in Great Falls to review the 90% drawings. Estimated design completion is July 1983. An FEC 1-4 for 1st phase construction was sent to OFE on April 20, 1983. Estimated construction completion is September 1985.

Navajo Area

Chinle Comprehensive Health Facility, Arizona (New - 60 beds)

Planning funds in the amount of $650,000 were appropriated in FY 1978. $19,108,000 was subsequently appropriated to complete the facility. In FY 1981, $2,500,000 was appropriated for major movable equipment. The C/M contract in the amount of $18,775,000 was awarded to Kitchell Contractors in October 1979. The dedication took place on August 28, 1982. The outpatient department opened in October 1982. The inpatient section is scheduled to be opened as staff housing becomes available. Some inpatient services are anticipated to be available by June 1983. In January 1981, $102,000 was made available for the design of a solar energy system -- $35,000 of this amount was provided by DOE. The total solar project cost is $1,028,000 of which the DOE funding level is $350,000. Now advertising for construction bids.

Crownpoint Comprehensive Health Facility, New Mexico (Repl. - 37 beds)

In FY 1981, $1,326,000 was appropriated for design. A FEC 1-4 was sent to ROFEC VI July 6, 1981. The Navajo Facility Master Plan and revised PID were forwarded to OFE in September 1981 and the PID was approved by the Department in January 1982. The A/E firm selected in September 1982 was Brown & Seales/Flatow, Moore, Bryan & Associates. The design phase began October 1, 1982. The A/E met with the Tribe and local Crownpoint committee October 20, 1982. The A/E finished the concepts and began the schematics in April 1983. Anticipated design completion date is February 1984.

Oklahoma Area

Tahlequah Comprehensive Health Facility, Oklahoma (Repl. - 60 beds)

In FY 1979, $550,000 was appropriated for planning and $3,200,000 appropriated in FY 1980 for Phase I construction. In FY 1981, $10,000,000 was appropriated for Phase II construction. The balance of construction and equipment funds ($7,584,000) were appropriated in FY 1982. Ground was broken on September 1, 1980. GMP was received December 30, 1980. The second phase of CM contract (construction) was signed on Feb. 25, 1981. An amended FEC 1-4 providing an additional $4,834,000 for construction was submitted on February 24, 1982. Construction is 73% complete and is on schedule. The estimated construction completion date remains December 1983 with an estimated opening date of January 1984.

Phoenix Area

Sacaton Comprehensive Health Facility, Arizona (Repl. - 32 beds)

In FY 1973, the Master Plan funds were appropriated and a Master Plan was completed in March 1973. In FY 1982, funds in the amount of $699,000 were appropriated for planning and design. In FY 1983, an additional $500,000 was reprogrammed from unobligated funds for planning and design. A PID was completed in April 1982. A Phase I site selection report was submitted on December 23, 1982. IHS concurred with the report's recommendation to proceed with Phase II of the site selection process for the Seed Farm Road site. An amended FEC 1-4 was issued on February 14 to include $13,450 for Phase II of the site survey. The Health Facilities Review Board met to review the PID and requested a report on the efficacy of a birthing center and IHS's ability to contract inpatient services at nearby hospitals. IHS has forwarded its report to HRSA. Approval of PID by PHS and the Department is still pending.

HOSPITALS, MODERNIZATION AND REPAIRS

Aberdeen Area

Winnebago Health Facility, Nebraska (Modernization)

The $650,000 for renovations at Winnebago has been certified to OFE via a FEC 1-4. The A/E design is a joint venture between the firms of McCaleb and Kirkham & Micheals. The design contract was signed on October 6, 1981. A construction contract was awarded to Chisioux Incorporated from Fargo, ND. On site work began in July. Construction is approximately 97% complete. The project is scheduled to be completed by May 1983. The date was extended because of change orders and a delay in the shipping of mechanical equipment.

Tucson Area

Sells Comprehensive Health Facility, Arizona

In FY 1981, $1,600,000 was made available for correction of JCAH and National Fire/Safety Code deficiencies. The A/E, Burke Wyatt and Associates, was selected in May 1981. Funds in the amount of $1,386,000 are available for actual construction. The construction bid in the amount of $1,018,700 was awarded and the contract was signed with the Lloyd Construction Company on August 5, 1982. Construction began in September 1982 and is 55% complete. The anticipated construction completion date is September 1983.

OUTPATIENT CARE FACILITIES

Navajo Area

Huerfano Health Center, New Mexico (Dzilth-Na-O-Dithle)

In FY 1981, $220,000 was appropriated for initial design. A FEC 1-4 was issued July 6, 1981 to ROFEC. A FEC 1-4 in the amount of $2,714,000 for construction was issued on September 24, 1982. An appropriation of $3,084,000 was made in FY 1982 for construction and equipment. Louis L. Weller was

selected as A/E in November 1981. The contractor's bid was for $2,333,000. The contractor, Luther Construction Co., was selected on January 6, 1983. Construction began in February 1983. Estimated construction completion date is April 1984.

Inscription House Health Center, Arizona

In FY 1980, $3,890,000 was appropriated for design, construction and equipment. An A/E contract was awarded to Drover, Welch and Lindlan in January 1981. The construction contract was awarded in December 1981 to the Greenberg Construction Company in the amount of $2,010,716. The project is now approximately 97% complete. There has been some delay in completing this project due to weather conditions. The punch list items are now being completed. Final inspection will be by the end of May 1983. The facility will open when staff quarters become available.

Tsaile Health Center, Arizona

In FY 1981, $250,000 was appropriated for design. A FEC 1-4 was issued July 6, 1981. McCaleb and Associates was selected as A/E in August 1981. A delay in the design process was caused by the A/E requesting to use Inscription House as a standard and the site adapted to Tsaile. The request was denied by OFE. Design was completed in March 1983. In FY 1982, $3,606,000 was appropriated for construction and equipment. A FEC 1-4 in the amount of $3,176,000 for construction was issued on September 24, 1982. The selection of the lowest bidder for the construction contract was made in April 1983. The bid was in the amount of $2,230,000. OFE's approval is required before the contract can be awarded. Anticipate construction start-up by May 1983. Estimated construction completion date is May 1984.

Oklahoma Area

Anadarko Health Center, Oklahoma

In FY 1981, $200,000 was appropriated for design. A FEC 1-4 was issued July 6, 1981. In FY 1982, $2,923,000 was appropriated for construction and equipment. The A/E firm of McCaleb Associates, Inc. was selected on September 30, 1981. A FEC 1-4 in the amount of $2,570,000 for construction was issued on September 24, 1982. The construction contract was awarded in January to the firm of Seneca-Cox, a Joint Venture in the amount of $2,067,000. Construction is 10% complete. Estimated construction completion date is January 1984 with an opening date also in January 1984.

Phoenix Area

Ft. Duchesne Health Center, Utah

In FY 1980, $2,220,000 was appropriated for design, construction and equipment. The A/E firm of McCaleb & Associates was selected in July 1980 and the design is complete. In December 1980, $16,670 became available for the design of a solar energy system. An additional $128,270 was received from NASA on August 11, 1981, for solar projects. Additional funds of $25,280 requested from NASA for the solar project are available. The construction contract in the amount of $1,580,000 was awarded to Derek and Dana Inc. in October 1981. Construction began in November 1981. Since the contractor (Derek and Dana Inc.) failed to follow government standards the bonding company replaced them. The new contracting firm is Granger Construction Company. The contractor repaired and replaced the previous construction. New construction began in September 1982 and the project is 85% complete. Adjustments and change orders have caused some delay. Estimated construction completion date is June 24, 1983.

Portland Area

Colville Health Center, Nespelem, Washington (Repl.)

In FY 1978, $200,000 planning funds were appropriated. The final plans were completed but due to site complications the plans have to be revised. These plans are being held until construction funds are appropriated.

STAFF QUARTERS, NEW AND REPLACEMENT

Alaska Area

Bethel, Alaska (47 units)

In 1981 Congress gave IHS the authority to lease 47 units of quarters at Bethel. The Bethel Native Corporation (BNC) made an attempt to secure financing to construct the 47 units but were unable to obtain it. The Calista Native Corporation (profit arm of the Bethel Regional Corporation) negotiated with ROFEC X and IHS to build these quarters. The Calista Native Corporation has started construction and anticipate an occupancy date of June 1984.

Billings Area

Lodge Grass, Montana (10 units)

Funds for construction of 10 units of quarters were appropriated in FY 1981 and apportioned in July 1981. The Tribe passed a resolution on January 9, 1982, to construct the quarters by requesting a P.L. 93-638 grant using land provided by the tribe. The architect firm of Coxwell, Miller, Levine, Wyttenbach was hired on February 22, 1982, to prepare the grant request. The grant request was received on April 6, 1982. It was reviewed and forwarded to the Office of the Secretary by PHS on June 16, 1982, for review and comment. The Tribe passed a resolution that the government would not be charged rent for the quarters. The Department denied the grant request and directed that the quarters be federally constructed. A FEC 1-4 was issued on October 4, 1982. The Crow Tribe passed a resolution taking back the land on which quarters were to be built, provided for in the original tribal resolution. The design contract in the amount of $53,460 was awarded on April 13, 1983, to the A/E firm of Gordon A. Brooks from Rapid City, SD. Estimated design completion date is July 1983. The construction award date is scheduled for October 1984. The Tribe has provided another 13 1/2 acres near the clinic for quarters construction. A lease, signed by the Tribe on March 15, 1983, has not been formalized yet. Anticipate resolution of the lease issue by the first week in May.

Navajo Area

Chinle, Arizona (161 units)

In FY 1982, funds in the amount of $336,000 was appropriated to design the quarters at Chinle and Inscription House, AZ. The prorated share for Chinle is $236,000. In FY 1983, $14,000,000 was appropriated. The prorated share for Chinle was $12,075,000 for construction and $161,000 for equipment for a total of $12,236,000 to build 161 units. The Program Summary and Justification Document was approved in April 1982 and an FEC 1-4 was forwarded May 17, 1982 to OFE. The A/E selection of Louis Weller was made. Design began in September and was completed in February 1983. The design was for 215 units although the intial bid package will be for 161 units based on the initial staffing recommendation. BIA has 18 housing units which will be available for use by IHS. Construction bids were advertised in April 1983 with bids to be received by May 20, 1983. The first twenty units are scheduled to be completed by October 1983. Estimated construction completion date is June 1984.

Inscription House, Arizona (21 units)

In FY 1982, funds in the amount of $336,000 was appropriated to design the quarters at Chinle and Inscription House, AZ. The prorated share for Inscription House is $100,000. In FY 1983, funds in the amount of $1,764,000 was appropriated for the construction of 21 units of quarters. The prorated share for Inscription House was $1,743,000 for construction and $21,000 for equipment. The Program Summary and Justification Document was approved in April 1982 and a FEC 1-4 was forwarded May 17, 1982 to OFE. The A/E selection of Louis Weller was made. Design process began in September and was completed in February 1983. The design was for 28 units although the intial bid package

will be for 21 units based on the initial staffing recommendation. Construction bids were advertised in April 1983 with bids to be received by May 20, 1983. The quarters should be completed by October 1983.

Question Submitted by Senator James A[illegible]nor

Rosebud Rural Water System

Question: It is our understanding that the IHS has allocated to the Rosebud Rural Water System a portion of the funding needed to construct the project. The Tribe has been actively seeking other sources of funding to complete the project, and we are hopeful the supplemental appropriations/jobs bill will provide additional funding for this excellent and badly needed project, which is located in an area of extremely high unemployment and is ready to proceed to immediate construction to provide quick jobs as intended by the supplemental appropriations bill.

Does the IHS consider the Rosebud Rural Water System to be of high priority for development, and do you anticipate that additional funds will be required to enable completion of the project in the FY 1984 budget?

Answer: Tentative funding sources for the rural water supply and distribution system at Rosebud includes $550,000 from the "jobs bill" appropriation as well as some funding for water service to serve new and/or improved housing units. However, neither funding source will fully fund the project. The Tribe is evaluating alternative aspects of the project. Several of the alternatives include water service to non-Indian homes as well as Indian. The Tribe, as well as the Farmers Home Administration and various planning commissions of South Dakota, prefer an alternative which would provide service to non-Indian families and communities as well as the Indian communities.

The project costs for the alternatives under consideration range from $4.8 to $6.4 million. The IHS considers this project high priority for development and is willing to assist the Tribe in accomplishment of this project

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Questions Submitted by Senator Quentin N. Burdick

Emergency Medical Services

Question: In the Fiscal Year 1983 Bill, I recall that $4 million was included in the Hospitals and Clinics program specifically for the Emergency Medical Service Program. Is that correct? Can you explain to the Committee how this money is being allocated? I am particularly interested in the Aberdeen Area Office. How much Emergency Medical Service funding has Aberdeen received and how much has been allocated to each tribe?

Answer: The Fiscal Year 1983 Bill directed that those emergency medical services (EMS) program functions which have been accomplished through the use of CHR program funds should be funded with Hospital and Clinic funds in the amount of $4 million. ..."$4,000,000 shall be used to fund Emergency Medical Services formerly budgeted under the Community Health Representative Program"...

In order to carry out this directive each IHS Area/Program Office identified that portion of its CHR program budget committed to the provision of emergency medical care during FY 82. The total identified by all Area/Programs was approximately $4.2 million. This submission was utilized to distribute the $4 million which approximated 95% of the amounts identified by Area/Program Offices to this category.

The amount allocated from the $4 million funds to the Aberdeen Area totaled $400,000. The Aberdeen Area distributed $414,706 to the tribal programs as follows:

Cheyenne River	$52,385.00
Crow Creek	18,917.00
Devils Lake	20,373.00
Flandreau	7,275.00
Lower Brule	11,641.00
Oglala	52,386.00
Omaha	16,102.00
Rapid City	18,917.00
Rosebud	46,565.00
Sac and Fox	7,275.00
Santee	6,692.00
Sisseton	20,372.00
South Dakota Urban	1,270.00
Standing Rock	30,558.00
Three Affilliated	20,372.00
Trenton	13,096.00
Turtle Mountain	42,200.00
Winnebago	13,176.00
Wagner	15,134.00
	$414,706.00

Question: I understand that last December a notice was sent from IHS to all Community Health Representative Coordinators and Emergency Medical Service Coordinators in which each tribe was to provide information relating to how much of its CHR budget was used for Emergency Medical Services. Has this survey been completed and, generally, can you explain the results? I would also appreciate receiving a copy of the final report when it is available.

Answer: The survey has been completed which was the process described in the previous question and the results are as follows:

IHS Area/Program Office	IHS FY 1982 EMS/CHR Funding Distribution
Alaska	$ 91,160
Aberdeen	414,706
Albuquerque	598,243
Bemidji	74,400
Billings	96,768
Navajo	1,228,000
Oklahoma	548,579
California	-0-
Phoenix	694,423
Portland	26,500
Tucson	-0-
USET	395,000
TOTAL	$4,167,779

Sanitation Services

Question: As you may know, the Standing Rock Sioux Reservation has had considerable flooding and sewage problems relating to a lift station which I understand was at least partially funded by IHS several years ago. I am told that the problem is a result of Swiss-made components in the system that are no longer available. Would you be agreeable to working with the Tribe to get this system back in working order?

Answer: Yes, the IHS will be pleased to work with the Tribe to get the sewage lift station back in working order. The lift station has a history of

maintenance problems and breakdowns resulting in the back-up of sewage and flooding of basements in the Sioux Village subdivision located at Fort Yates, North Dakota. The lift station breakdowns are largely due to lack of routine maintenance. Repair components have been available and repairs were made on several occasions by the Tribal Utility Organization.

The absence of a basket strainer and a general lack of maintenance are the main cause of the failures. Renovation of the existing lift station could cost between $6,000 to $46,000 depending on the extent of the renovation, while complete replacement will cost approximately $65,000. Additional sewage lift station work is also required at the Standing Rock Sioux Reservation at the communities of Bull Head and Wakpala. The IHS will provided technical assistance and training to the Tribe.

Question Submitted by Senator Mark Andrews

Physician Recruitment and Retention

Question: Is IHS experiencing difficulty in recruiting qualified physicians to staff facilities serving Indian people?

Answer: Today IHS is faced with the greatest physician staffing challenge in the history of the IHS, i.e., to recruit, place and retain qualified physicians in our program in numbers and quality to meet present standards of accreditation, in a program that has grown significantly during the last 15-20 years.

The number of volunteer (non-obligated) physicians expressing an interest in the IHS has decreased in the last few years from over 800 inquiries in 1980, to 675 in 1981, and to 175 in 1982. The number of volunteers recruited has decreased from 75 in 1978 to a low of 40 in 1982.

The IHS presently relies on obligated physicians to supply 60 percent of the necessary physician manpower. The National Health Service Corps Scholarship Program that supplies such obligated physicians is scheduled for elimination and it is anticipated that few obligated physicians will be available beyond 1987. Approximately 90 scholarship physicians have been committed to date for service with the IHS beginning July 1983.

As of April 18, 1983, the IHS still had 50 vacant physician positions for July 1983.

Question: How many scholarship obligated physicians are currently serving in the IHS as Commissioned Corp Officers?

Answer: 198

Question: How many IHS scholarship obligated physicians are currently serving in the IHS as Commissioned Corp Officers?

Answer: None. Until 1981, when the National Health Service Corps (NHSC) Scholarship Program ceased making awards to new students, IHS did not award IHS scholarships to Indian medical students. Instead, these students utilized the NHSC scholarship program and other health professional category students were funded by IHS. In 1981-1982 IHS began giving IHS scholarship awards to Indian medical students, but these students essentially will not complete training and be available for service before FY 1986. In 1982-1983 there were 15 awards to new Indian medical students.

Question: How many non-scholarship obligated physicians have explored employment opportunities with IHS in the past three years?

Answer: 1980 - 800+
1981 - 675
1982 - 175

Question: How many non-scholarship obligated physicians have been hired by IHS in the past three years?

Answer: 1980 - 63
1981 - 61
1982 - 40

Question: Does IHS intend to bar bonus payments or make bonus payments discretionary to scholarship obligated physicians serving in the IHS under the Commissioned Corps system?

Answer: The Department has requested legislation to bar bonus payments or make bonus payments discretionary to scholarship obligated physicians serving in the IHS under the Commissioned Corps system. The IHS will comply with the legislation when it is enacted.

Question: Dr. Rhoades, in your personal opinion, would such restrictions on bonus payment have a negative impact on IHS recruitment of physicians?

Answer: Yes, restrictions regarding the bonus payments could make the private practice option available to scholarship obligated physicians more attractive than serving with the IHS.

Question: Are there restrictions on bonus payments applicable to Commissioned Corp physicians serving in other elements, not IHS, of the Public Health Service?

Answer: Yes. In FY 1983, language was added to the Department of Health and Human Services (HHS) Continuing Resolution restricting payment of bonuses to scholarship obligated physicians entering on duty and paid under that appropriation authority. Such a restriction will be in effect until a FY 1983 appropriations bill for HHS is enacted or throughout FY 1983 in the absence of such a bill. Further appropriation amendments or substantive legislation would need to be enacted to continue the restriction beyond the period of time in which the FY 1983 HHS Continuing Resolution is in effect. This restriction applies to all HHS physicians entering on duty with a scholarship obligation who are paid under the HHS budget authority. It does not apply to IHS and it does not make bonus payments discretionary for non-scholarship obligated physicians.

Question: Are similar restrictions on bonus payments being recommended by the Department or the Administration for physicians serving in other branches of the Uniformed Services?

Answer: It is our understanding that there are substantive legislative proposals and appropriation amendments to attempt to bar bonus payments for all PHS scholarship obligated physicians and make such payments discretionary for non-obligated physicians. To the best of our knowledge, no such action is being proposed for the other Uniformed Services.

Question: How many physicians are currently serving in IHS facilities?

Answer: 662

Question: How many vacancies currently exist in IHS for physicians to serve Indian people?

Answer: Currently there are 31 vacancies with 50 projected for July 1983.

Question: Are there any Indian reservations without physicians?

Answer: Currently there are no Indian reservations without permanent physician staffing.

Question: What impact will the elimination of new scholarships have on the availability of Indian physicians?

Answer: Unless there is a significant change in the number of non-obligated physicians attracted to IHS, we predict that beginning in 1987 the phase-out of the supply of NHSC scholarship obligated physicians serving in IHS will have a negative impact upon IHS' ability to staff its facilities.

Without the availability of the NHSC scholarship program, the phase-out of the IHS scholarship program would have a significant effect upon promoting an increase in the number of Indian physicians and some impact upon meeting IHS' future staffing needs.

Question: Is there any evidence that the number of Indian physicians and nurses represent proportionate parity with the number of non-Indian physicians and nurses? Please explain in detail.

Answer: The Association of American Indian Physicians has currently identified 239 American Indian physicians. Considering an American Indian population of approximately 1.5 million people, this equates to 16 physicians per 100,000 Indian people. The overall U.S. ratio for 1981 was 210 per 100,000 population. Thus, the supply of Indian physicians is estimated at 92% below parity. There were 2,283 American Indian nurses identified in 1978 or approximately 152 per 100,000 Indian people. The overall U.S. ratio was approximately 624 nurses per 100,000 population. Thus, the Indian nurse supply would be estimated at 76% below parity.

Question: How many Indian physicians are currently serving Indian people in the health corp?

Answer: In the IHS there are currently 20 Indian physicians serving. Fifteen of these are in the Commissioned Corps and five employed by the Civil Service system. Five of these 20 are currently meeting a NHSC scholarship payback obligation.

Facilities Construction

Question: Congress appropriated planning and design monies for a new hospital at the Gila River Indian Community, Sacaton, Arizona, for Fiscal Year 1982 and 1983. Have these monies been released and/or have contracts been awarded for this project? If not, why and when do you intend to release these monies.

Answer: It is the policy of the Department of Health and Human Services (DHHS) that the release of funds is contingent upon the approval of the Program Information Document (PID). The PIDs for these facilities have not been approved by the Public Health Service (PHS).

Question: Congress appropriated monies for planning and design of a new hospital at the Rosebud Sioux Indian Reservation for Fiscal Year 1982. Have these funds been released and/or have contracts been awarded for this project? If not, why and when do you intend to release these monies?

Answer: The P.L. 93-638 contract request from the Rosebud Tribe was approved by the Indian Health Service (IHS) and submitted to the PHS in January 1983. The PHS and Office of Facilities Engineering (OFE) are reviewing the proposal but will not endorse it until the PID has gone before the PHS Facilities Review Board. The PID has been submitted to the PHS. Site selection surveys for the facility have been completed and submitted through PHS to OFE so that a cost estimate for the facility could be completed. The OFE will not do a cost estimate until they receive an approved PID from the PHS.

DEPARTMENT OF EDUCATION

OFFICE OF INDIAN EDUCATION

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

MONIKA EDWARDS HARRISON, DIRECTOR OF POLICY, PLANNING AND EXECUTIVE OPERATIONS, OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

HAKIM KHAN, ACTING DIRECTOR, OFFICE OF INDIAN EDUCATION

SALLY CHRISTENSEN, DIRECTOR OF BUDGET SERVICES, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator MCCLURE. The fiscal year 1984 budget request for the Office of Indian Education totals $1,243,000, a decrease of $66,004,000 below the fiscal year 1983 appropriation.

Dr. Davenport, we welcome your appearance before the subcommittee. Your opening statement will be included in full in the record at this point. If you would introduce your associates, we will then proceed directly to the questions.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

I appreciate the opportunity to appear before your committee to discuss the fiscal year 1984 budget request for the Indian Education Act programs. As a result of the administration's review of Indian programs Government-wide, we are proposing to terminate assistance under the Indian Education Act in 1984. Funding for minimum administrative costs is requested to allow for an orderly closeout of prior year awards.

1984 REQUEST

For fiscal year 1984, $1,243,000 is requested to cover administrative costs of the Indian Education Program Office and to support the National Advisory Council on Indian Education. This level of administrative support is a decrease of $1,346,000 below the 1983 appropriation. Funds will be used for closeout of prior year grants and other tasks related to conclusion of program operations. Limited administrative funding for the National Advisory Council will support the preparation of a final report and a final meeting.

The administration's 1984 request is based on the proposition that it is not appropriate for this agency to administer a program that provides services to Indians because of their status as Indians. The general mission of this agency is to focus on specific educational problems such as educational disadvantagement, financial need, handicapped condition, or limited ability in the English language. These programs serve Indian students who meet their eligibility criteria just as they serve other Americans in similar circumstances.

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Under all Indian Education Act programs, grantees receive funds based on the number of Indians that will be served. Under the largest program—part A grants to local educational agencies—districts receive funds according to the number of Indian students enrolled. The funds are directly tied to the fact that the students meet a statutory definition of Indian. Other factors, such as a degree of educational or economic need, are not considered.

It is out belief that continuing support to other agency programs targeted on specific educational problems is a more effective use of limited Federal funds than serving students who may not have severe educational needs. Indian students are fully eligible for any of our programs, as is every other citizen, if they meet program eligibility criteria. This includes major programs such as chapter 1 and chapter 2, vocational and adult education, impact aid, bilingual education, and all postsecondary student aid programs.

These other programs already provide services to many Indians, including those most in need of help. In 1984, we estimate that these other programs will provide about $350 million in support directly or indirectly benefiting Indian students and adults.

For example, in the chapter 1 program—grants for educationally disadvantaged students—we estimate that over $50 million will be used by local districts to serve about 95,000 Indian elementary and secondary students. These children are probably the most disadvantaged of the Indian population. Under impact aid, over $180 million will directly benefit Indian children in 1984.

We also believe that it is essential to distinguish between aid for Indians because they are disadvantaged and because they have a special relationship with the Federal Government. We provide aid to disadvantaged students, including many Indians. The Department of the Interior's Bureau of Indian Affairs (BIA) is responsible for providing a variety of special services to Indian children and adults who are eligible because of their special status as Indians.

Some of BIA's programs parallel Indian Education Act or other agency programs. For example, the Johnson O'Malley program will serve over 170,000 Indian public school students in 1984. BIA supports Indian-controlled schools, many of which also receive funds under the Indian Education Act, and awards scholarships for higher education at the undergraduate and graduate level in parallel to our agency's Indian fellowship program and our postsecondary student aid programs for all students.

BIA also receives chapter 1 and education for the handicapped funds in transfers from the Department to aid students in BIA-operated schools who need special help.

The administration believes that educational programs serving Indians because of their identity as Indians should be limited to the Department of the Interior. We will continue to provide services to many Indian children and adults through the variety of other programs we administer, and, therefore, request that no funds be provided for Indian Education Act programs in 1984.

My colleagues and I will be happy to respond to any questions you have.

INTRODUCTION OF ASSOCIATES

Mr. DAVENPORT. Thank you, Mr. Chairman. To my right is Monika Harrison, the Director of Policy Planning and Executive Operations, Office of Elementary and Secondary Education. To my immediate left is Hakim Khan, Acting Director, Office of Indian Education; and to my far left is Sally Christensen, Director of the Budget Service, Office of Planning, Budget, and Evaluation.

THE TERMINATION OF INDIAN EDUCATION ACT PROGRAMS

Senator MCCLURE. Thank you. The fiscal year 1984 budget estimate for impact aid payments made on behalf of Indian students totals $183,800,000, an increase of $45,900,000 over the amount available in the current year.

Is it your contention that these additional funds will help to make up the deficit caused by the termination of the Indian Education Act programs?

Mr. DAVENPORT. Yes, sir.

Senator MCCLURE. Is there any reason to believe that impact aid funds would be used to support special programs for Indians as opposed to simply being used to meet the operating costs of the schools?

Mr. DAVENPORT. Those decisions are made at the local level. The LEA's understand best their educational priorities and they make those decisions.

INCREASES IN IMPACT AID

Senator MCCLURE. You're satisfied that the process for the allocation of those funds will better meet the needs of specific Indian populations in schools than would be by an overall program direction?

Mr. DAVENPORT. Yes, sir. We believe that this will meet the needs of Indians very directly.

Ms. CHRISTENSEN. Mr. Chairman, even with that discretion we estimate that for Indians the amount from impact aid would increase from about $140 million in 1983 to about $185 million in 1984.

THE EVALUATION OF PART A

Senator MCCLURE. Initial funding for an evaluation of the part A program was provided in fiscal year 1980. Even though the evaluation employed sampling techniques which reached only 10 percent of the districts, we had hoped it would be available for our review.

During the course of last year's hearing when I expressed concern over the timing of the availability of this information, the Department's response was that there would be some preliminary information available at the end of the 1982 calendar year.

The subcommittee has now been informed that the contract has been extended and that no information will be provided to the committee prior to June at the earliest.

Since the evaluation is under departmental review, perhaps you could at least tell us if it's worth waiting for. What was the methodology employed in the evaluation and has it produced any hard data such as the number of students actually served or verifiable improvements in testing scores?

Mr. DAVENPORT. Mr. Chairman, I prefer at this point not to comment on a report that is still under review and I really would like to supply that information once the review is completed so that we can answer your questions intelligently. After a thorough review, we will know if the information is adequate.

Senator MCCLURE. When will it now be available to us?

Mr. DAVENPORT. I think you began your statement by saying that you had been told that it would be available probably in June. That's the best estimate that we have today.

Senator MCCLURE. That's June of 1983; is that right?

Mr. DAVENPORT. Yes, sir.

Senator MCCLURE. All right. Early June or late June?

Ms. HARRISON. I think we're trying to be very cautious to avoid promising you something we may not be able to deliver. So I have heard June, but let's say late June.

SENATE NOT IN SESSION JULY AND AUGUST

Senator MCCLURE. Again, I'll remind you as I did the previous witnesses, Senator Baker has indicated his desire that the Senate not be in session here during the month of July as well as the month of August.

It is his intention that committees go to the field for field hearings during July and that the regular recess for August be kept as originally scheduled.

If that's the case, if we don't get this information until late June, we'll not see it as a committee until September, we'll not have any opportunity to work with it, as that's precisely when we're in the midst of the appropriation cycle.

It will not give us very much opportunity to evaluate it and certainly will not give us very much opportunity to seek the information from people who are affected by it before we have to make budgetary decisions in the appropriation process.

Under that circumstance, it might occur to you that we'd be more likely to agree with the proposals you've made. I would suggest to you, it's much more likely to turn out the other way: That if we don't have the information that justifies what it is you're trying to do, the Congress is much more likely to go upon the information they already have rather than the information that you give us.

So if it does not come until late June, it may be almost totally worthless to us in this budgetary cycle. I would hope you can expedite that information because we would like to have the benefit of that review.

Mr. DAVENPORT. I assure you, Mr. Chairman, that we've heard you.

SMALL PART A GRANTS

Senator MCCLURE. In a written response provided for the record last year. the Department justified grants to local education agencies of $5,000 or less by the following, and I quote:

> When a school has few students, costs for small items go a long way. Items such as eyeglasses, a hearing aid, shoes, small articles of clothing or limited tutorial services may be purchased with sums far less than $5.000.

It may be instructive that the only item directly related to education is mentioned last on the list.

We certainly don't disagree with the need for eyeglasses or hearing aids to enable children to learn. We are, however, spending some $20 billion a year on medicaid. Why should a $70 million program pick up the costs of hearing aids?

Mr. KHAN. Our policy has been to instruct our education specialists when they make site visits to conduct the congressionally mandated roll-

ing audit of the part A program, to emphasize that our policy is to spend money on materials that are needed for academic performance. At the same time, the Indian education statute and regulations allow these costs to be paid; so there have been instances, in very rare cases, of providing financial resources for eyeglasses, even for dentists, to improve the academic performance of these Indian children.

Senator McCLURE. Well, I understand that. That's your justification to us rather than the patients' justification. Why don't you seek that kind of aid through the medicaid program rather than through the educational program?

Mr. KHAN. We are spending a very small amount, in buying those things. Our thrust now is to spend money for educational materials and resources. My review, recently, of the audit report indicated that it's very rare that we are spending money for those things that you mention.

Senator McCLURE. Well, how much of it is tutorial services?

Mr. KHAN. Tutorial services are the most important element in part A programs—tutorial services for math, science, and English——

Senator McCLURE. Let's look at the dollar amounts. How much of the total dollar amounts out of this fund are expended on tutorial services?

Mr. DAVENPORT. Mr. Chairman, can we prepare that for the record?

Senator McCLURE. If you would, please.

[The information follows:]

In order to satisfy the committee's request concerning how funds are spent under the part A formula program, we sampled 10 percent of the fiscal year 1982 awards to determine the approximate costs associated with various major activities. Based upon this sample, the following table shows the projected total costs for the part A program associated with each type of activity conducted under this program.

Tutorial services	$24,500,000
Counseling	6,100,000
Home-school liaison	4,700,000
Supportive services (Medical, dental, et cetera)	1,200,000
Cultural activities	10,200,000
Administrative services	1,800,000
Indirect costs	1,900,000
Total	50,400,000

LIMITS ON PART A FUNDS?

Senator McCLURE. Will the part A evaluation provide any information on the amount of funds used to purchase shoes and clothes as opposed to being used for activities having a more direct bearing on education?

Mr. KHAN. That will be included as part of the report that we'll forward to your office when it is completed.

Senator McCLURE. Are there any limits placed on the uses of part A funds?

Ms. HARRISON. Part A funds are intended to be supplementary to those costs being paid for out of State and/or local funds. There is that

limit, which of course is a very basic one, but getting back to your question about the kind of things that are provided, I would say that the basic purpose and the stress of the program design is academic services, that is, on teachers, texbooks, and all those things that enable the child to learn and to increase academic achievement. There are other things paid for which are sometimes seemingly ancillary to that individual child's ability to learn.

As you might know, the Indian program has had a great emphasis, at least in the past, on the specific, individual needs of students.

Now, we've been concerned lately that we're not talking here about an education for the handicapped program and we shouldn't be viewing an individual development plan for every Indian child in the program, but individual needs assessment has been one of the initial focuses of the program.

So they've been paying for those things that the local project felt were necessary to provide that supplementary program for the individual child, and it encompasses a very wide range of things.

Senator McCLURE. How do you make a determination of what it has paid for and how the funds are used?

Ms. HARRISON. Well, it would depend on the program that the local project proposes, and the types of services that they're proposing to provide. The test is, if you could test the reasonableness, that when a project officer looks at the project application and begins to negotiate dollars and scope of work, they would see whether or not a particular expenditure meets the test of reasonableness.

I think we were talking about tennis shoes last year and someone said: "Well, my heavens, how could tennis shoes have anything to do with education, much less Indian education?"

But if one of the costs is a health, nutrition, physical education program that's somehow related to academic achievement, then it may make sense to buy in individual cases——

Senator McCLURE. You've indicated it's done through local project development. Are there guidelines for the development of local projects? Or are you just kind of flying by the seat of your pants on each one?

Ms. HARRISON. There are regulations, there are both program specific regulations for Indian education programs by part and then the Department has its regular cost principles which indicate what may or may not be paid for with any Federal education funds.

So we do not specify what the scope of each project would be nor what we think should be the essential elements of those projects. It is left up to the LEA to a very significant degree.

Senator McCLURE. All right. It is left up to them to come up with something. How do you review whether or not it's reasonable?

Ms. HARRISON. Through negotiations.

Mr. KHAN. In part, the critical element of any proposal that is submitted is the needs assessment in which the Indian parent committee is involved. They determine the need in consultation with the local education agencies.

Our recent reviews have indicated that despite the fact that some people find that the money goes for dental care and glasses, that the needs assessment made by the parent committee would indicate what they want for the education of their children, and buy it——

Senator McCLURE. But isn't that an invitation for the insertion in that project a real conflict of interest in which parents seek to shift to the project those costs which they ought to bear themselves?

Mr. DAVENPORT. Yes, sir, that's why we recommended there be no funds allotted for it in 1984. Remedial activities in reading and mathematics, we believe can be handled by our other programs. In the case of funds spent for cultural heritage activities, we believe these services are not necessary because there is no basis for measuring need of individual students.

THE GRANTMAKING PROCESS

Senator McCLURE. Well, I'm still a little puzzled. If you don't have any real criteria for the use of part A funds, you just simply negotiate on every project?

Mr. DAVENPORT. No. First of all we have regulations.

Senator McCLURE. But they don't put any limits on it?

Mr. DAVENPORT. No; we have a set of reviewers who review the proposals when they are submitted. The reviewers score each application based on criteria contained in the regulations. If an application scores high enough to be awarded a grant, it is reviewed again by a program officer in the Office of Indian Education. Finally, the actual amount of the award is negotiated by our contracts office.

THE AUDIT PROCESS

Senator McCLURE. And what is the followup on that procedure to determine how the funds were spent?

Mr. DAVENPORT. We review one-third of our projects each year through our rolling audits.

Senator McCLURE. And what do you look for in that audit?

Mr. KHAN. We check to see whether the LEA's are spending the money according to the budget that was approved.

Senator McCLURE. So you audit against the approved project applications; is that correct?

Mr. KHAN. We audit against the approved budget. It's a very systematic process.

Mr. DAVENPORT. That's correct. We submit a report of these rolling audits to Congress each year.

CHILDREN ELIGIBLE VERSUS CHILDREN SERVED

Senator McCLURE. Is there any reason not to require that all children counted as eligible for the purposes of part A also be provided services from the program?

Ms. HARRISON. I'm not sure we understand——

Mr. DAVENPORT. I'm not sure I understand the question.

Ms. HARRISON. For example, when we fund a project right now we fund it on the basis of the number of eligible Indian children in that particular project. That is by law the only basis on which we can provide funds.

Senator MCCLURE. That is a related service from the school districts?

Ms. HARRISION. Well, in the sense that it has to be supplementary services, yes. We look first to see what they're being provided under other sources.

Senator MCCLURE. Is that always the case, that they are supplementary to the services provided by the school district?

Ms. HARRISON. To be legal, that will always be the case. If we are able to read the application appropriately and they're reporting as they're doing, yes, it will be.

Senator MCCLURE. Now, is it possible that some children might be counted as eligible for the purposes of part A who are not served by school districts?

Mr. KHAN. The part A program is a supplemental program, and funds activities and services that the schools are not providing. For example, if they are bilingual programs, the Indian children are then tied to the bilingual program too. They must provide the same services that they are providing to other children; to non-Indian children.

But it's over and above that for which the part A funds are spent.

Mr. DAVENPORT. Could you be more specific? Are you asking whether it is possible that they may be counting students who are not eligible?

Senator MCCLURE. That's part of it, yes.

Mr. DAVENPORT. That's always a possibility. We review to try to make certain that's not occurring, but I would never be so naive as to say that it's not possible.

Senator MCCLURE. On the other side of it, if a decision is made that makes the project serve students who are in the school system who are eligible—the project itself focuses on just a group of those, that is an acceptable decision from your standpoint, if it is approved in the project review?

Mr. DAVENPORT. Yes, sir.

EVALUATION OF INDIAN-CONTROLLED SCHOOLS

Senator MCCLURE. During testimony before the subcommittee last year, it was stated that during fiscal year 1983 the Department would conduct an evaluation of the Indian-controlled school program to determine if the program is effective and if it is making the schools more or less dependent on continued special funding.

What is the status of that evaluation?

Ms. HARRISON. I believe we have discussed with the Department of the Interior the possibility of conducting such a study jointly; however, once we got to some later-stage discussions with them, we found out that they, I believe, are doing a study of Indian-controlled schools themselves, or so we've been told, and we attempted then at that point

to have our concerns incorporated into theirs. But we have not in the Department undertaken a study on our own.

Senator MCCLURE. Have you looked at the scope or the methodology used in that review to determine whether the Department of the Interior is really doing it?

Mr. KHAN. At that time the Assistant Secretary for Indian Affairs had a discussion with us and they were ready to come up with a plan for a joint study. We were ready to provide technical know-how. But later on, I think, their interest faded away. They were the ones who were to provide the major funding.

Senator MCCLURE. So what we were led to believe last year was that you were going to make an evaluation. They said they would, so you dropped yours; then they dropped theirs and we're now finding out about it.

Mr. KHAN. We were going to do a joint study and they were to provide the basic funds for the study. We were providing our manpower.

Senator MCCLURE. Well, are they making that review?

Mr. KHAN. I don't think they are doing it; but I'm not sure.

Senator MCCLURE. So there's no review of this going on?

You know, it's interesting—I'm glad that we had this hearing today so you could tell her that it isn't happening. She thought it was.

Ms. HARRISON. As of a month or so ago, it was happening, and the reason we deferred to the Department of the Interior is that we fund only a small subset of the Indian-controlled schools in the Department of Education. They have a much larger universe, so we knew that any interest we had would be subsumed by theirs. That's the only reason we deferred to them.

Senator MCCLURE. But we're interested in knowing what is happening.

Ms. HARRISON. We'll have to check on this for you.

Senator MCCLURE. What I'm finding out here is it's fallen between the cracks.

Mr. DAVENPORT. Can we check on that, Senator, and provide the information for the record?

[The information follows:]

Early in fiscal year 1983 we explored with the Bureau of Indian Affairs the possibility of a jointly funded study of the Indian-controlled schools. However, a House Appropriations subcommittee report issued in December 1982 cautioned the Bureau of Indian Affairs against expending funds for a study pending the outcome of the House committee investigation of Indian-controlled schools. The Department of Education will now again initiate dialog with the Bureau of Indian Affairs to review the possibility of conducting a joint study of Indian-controlled schools.

LAST YEAR'S DISCUSSION OF INDIAN-CONTROLLED SCHOOLS

Senator MCCLURE. In view of the fact that we had a rather extensive discussion of that situation with Indian-controlled schools during that hearing last year, might it not have been appropriate for you to inform us that the evaluation which was to answer some of our concerns was not going to be performed at all?

Mr. DAVENPORT. Since it was still being discussed up until some 30 days ago, Senator, we still are under the impression that we may be able to breathe some life into it. Until we get more clarification from the Department of the Interior, we have nothing to report. That's why I said earlier we would check for the record to see what the Department of the Interior's continued interest is in this matter.

Ms. HARRISON. We did negotiate following that hearing an interagency agreement with them to carry out certain things, one of which was this study of Indian-controlled schools, so it was our intent to follow through with what we had told the committee last year.

Senator MCCLURE. Well, as you might judge, I am a bit nonplussed at the development that's been revealed here, because we anticipated that that would be done, and apparently it's not had much attention, or certainly casual attention at best.

Mr. DAVENPORT. I don't want to let that stand in the record. We had entered into negotiations with the Department of the Interior and had been negotiating an interagency agreement. We have given a significant amount of attention to this, but the priorities are being set in Interior. However, it is clear that we need to do some additional followup. That's why this kind of discussion is good for us too. I guarantee you we'll get back to it.

Senator MCCLURE. Well, I understand that and I appreciate your statement, Mr. Davenport, but it's been 12 months. It isn't as though it's something that's occurred in the last 60 or 90 days

THE PUYALLUP TRIBAL SCHOOL STUDY

The Inspector General of the Department of the Interior issued a report on the Puyallup Tribal School System which is one of the schools funded by your program as well as the Bureau of Indian Afairs. The investigation conducted in late 1981 found that the students enrolled in the tribal schools could be educated for one-half to one-third the cost in the local public schools. Further, the public schools already enrolled four times as many Indian students as the tribal school. There was also an 88-percent dropout rate between the freshman and senior years of high school. Are you familiar with that report?

Mr. DAVENPORT. I'm basically familiar with it, sir, and that's one of the reasons why we're proposing no funding. It's not only true in this instance, it's true in many cases across the country.

Senator MCCLURE. It is for reasons such as this that we feel an evaluation is essential if the program is continued.

For the record please provide the estimated cost of such an evaluation, its proposed scope, and an estimate of the time required to conduct the evaluation.

Mr. DAVENPORT. Yes, sir.

Senator MCCLURE. Thank you.

[The information follows:]

We cannot at this stage submit a detailed plan for the proposed evaluation of Indian-controlled schools, since (1) such a study would be a function of a future joint

agreement with the Bureau of Indian Affairs, and (2) our 1984 budget request contains no resources for evaluation studies.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. I have a number of other questions which I will submit for the record. I appreciate your responses to the questions that have been given today and I will appreciate the responses to the questions submitted in writing.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

PART A AND CHAPTER 1

Question. Payments totaling $54,600,000 are also made to school districts on behalf of Indian students under chapter 1. These programs are specifically targeted to improving the educational attainment of economically disadvantaged children. Approximately 95,000 Indian students are served by this program. This compares to the estimated 337,000 Indian students served by the Indian Education Act. Is the difference in the two numbers a factor of which Indians are economically disadvantaged, a factor of the definition of an Indian or something else?

Answer. A number of factors explain the difference. The principal explanation is that clearly not all Indian students are educationally disadvantaged. A second reason is that the chapter 1 program serves primarily children in grades K–6, while part A serves students in grades K–12. Finally chapter 1 does not serve all educationally disadvantaged children and some of these students are undoubtably covered by the part A program.

PART A CHILDREN SERVED

Question. 337,000 children are counted as eligible for the purpose of part A grants. Of this number, how many are actually served by part A projects?

Answer. In fiscal year 1982, approximately 315,000 children were counted as eligible under part A, which includes grants to local educational agencies, tribal schools, and Indian-controlled schools. In the draft of the final report of the part A evaluation study it is reported that approximately 78 percent of the students counted as eligible in the 115 part A projects studied actually participated in project activities.

INDIAN CONTROLLED SCHOOLS

Question. If funding were provided to continue the Indian Education Act, would you perform an evaluaton of the Indian-controlled schools?

Answer. If the Bureau of Indian Affairs does not undertake an evaluation, we would consider undertaking such a study, although our 1984 budget request contains no resources for evaluation studies. The Indian-controlled schools funded by the Department of Education represent only a small percentage of the total Indian-controlled schools funded by the Bureau of Indian Affairs, and consequently we believe an evaluation of the total Indian-controlled schools programs would yield the most reliable data. We have been discussing with the BIA the possibilities of a joint study.

Question. Have audits been performed on these schools or has the Department's Inspector General reviewed any of their operations? If so, please provide us with copies.

Answer. As part of the rolling audits of the part A grants, the Office of Indian Education has made monitoring visits to Indian-controlled schools. The results of these audits are included in the Annual Audit Report to the Congress. In addition, the Office of the Inspector General has performed five audits, copies of which are attached.

Participation in Part A

Question. We have received the revised report on the definition of an Indian. According to the report there are approximately 5,900 public school districts with Indian enrollment which do not participate in part A as opposed to only 1,081 which do participate. Almost 30 percent of the total estimated number of Indian children reside in districts not served by part A.

A 1977 General Accounting Office report on participation in the program was one reason the study was requested. That report, through a small sampling, found six LEA's where only 40 percent of the children counted as eligible were actually served and within this group the participation ranged from 12 percent to 67 percent.

The definition report also states that in 1 year 20 percent of all participating districts either terminated their program or initiated their program which indicates a substantial turnover in participating districts.

If we may extrapolate, using 100 Indian children as an example, 70 will reside in a participating district. Of those 70, 28 will actually receive any services. Of those 28, only 23 will be in an ongoing program. Is it, therefore, fair to say that the actual education of Indian children would not be greatly impacted by the termination of this program?

Answer. The Department believes that actual patterns of service to Indian children from all sources should be considered in evaluating the need for the part A program. However, we cannot endorse the assumptions contained in this question. Specifically, the GAO findings are neither representative nor current. We estimate that well over one-half of all Indian children in public schools receive part A services in any given year.

The Definition of Indian

Question. The study estimates that 52,900 children are eligible for part A based on tribal enrollment of one grandparent. As the most restrictive tribal enrollment is one-quarter blood, they are at most one-sixteenth Indian, and quite likely substantially less than that. Even though the majority of comments received by the Department in response to the study recommend tightening the eligibility requirements, the Secretary chose to recommend no change. Is there any sociological or educational basis for assuming that a child who had one great-great grandparent who was a full-blooded Indian requires special assistance because of his ancestory?

Answer. Even children who are only one-sixteenth Indian may be socially defined as Indian within their local community, and the legacy of minority status may very well include educational disadvantagement. It is possible for a child who is documented as a second-degree descendant to have four Indian grandparents. This could occur in cases where the father comes from a tribe which traces descent through the mother, and the mother is from a tribe that traces descent through the father.

Counting Indian Children

Question. Four States, California, New York, Michigan, and Texas have the highest percentage of children who are second-degree descendants, 43 percent of their total part A count. These four States also claim 27 percent more Indian children when requesting part A money than they have reported to the Office of Civil Rights. If this program is continued, have you any plans to take a closer look at these four States and their claims of eligible children?

Answer. As observed in the revised report (page 34), there is no necessary contradiction in this. For the four States mentioned, Table D–10 indicates sufficient numbers of school-age children of Indian ancestory (but not race) from the 1980 census to account for the differences.

SMALL PART A GRANTS

Question. As noted earlier, last year the Department defended awarding small grants. The report, however, states that "If staffing and administrative costs are not to exceed 50 percent of the grant amount, we suspect that a total grant of more than $40,000 may be needed * * * services amounting annually to only $20 and $30 per child (after deducting administrative overhead costs), may be nearly the equivalent of no service at all." The impact of establishing a floor would be to give a relatively larger proportion of the funds to the traditional reservation States where Indian poverty is greater, the educational achievement lower, the dropout rate higher and the need greater. Should there be a $40,000 floor to run an effective program, or in the words of the report should be continue to provide no services at all with a substantial portion of the funds spent?

Answer. As part of the evaluation of the impact of the part A formula program a substudy of very small part A grants was conducted. Very small was defined as serving fewer than 30 students and an operating budget of $5,000 or less per year in Federal funds. The preliminary conclusions of the draft final report of this substudy may help answer the concerns addressed in this question.

It was found that these projects focused on a very limited set of activities, often a single service. Salaries that were paid went primarily to instructional staff rather than administrative staff. In fact, in 83 percent of the projects, no administrative costs were incurred. There also was a high level of voluntarism on the part of both administrative and instructional staff, as well as by parents of Indian students and other members of the community, thus stretching the value of the dollars received in terms of the services delivered. Regarding impact, almost two-thirds of the projects were able to provide credible documented evidence of impact in one or more service areas. Since documentation in a small project is often difficult, and most, 84 percent, of the projects not providing evidence did indicate impact, this suggests that the projects were generally having a positive impact on Indian students.

In the revised part A regulations being prepared, the Department is proposing to reduce the application and reporting requirements for small grantees. This will significantly reduce administrative burden and increase the proportion of project dollars that go toward the provision of services to students.

Question. Please describe for the record the current distribution of part A funds by district; the districts which would be eliminated by a $10,000 floor; the districts that would be eliminated with a $20,000 floor; and the districts which would be eliminated by a $40,000 floor?

Answer. In fiscal year 1982, a floor of $10,000 would have eliminated 244 small projects for a savings of $1.5 million—about 3 percent of the total grants to LEA's. A $20,000 floor would have eliminated 505 projects whose grants totaled $5.3 million. A floor of $40,000 would have eliminated 787 projects—about 71 percent of the total number—for a savings of $13.6 million, or 27 percent of the total amount of all grants last year.

SUBCOMMITTEE RECESS

Senator MCCLURE. The subcommittee will stand in recess until 2 p.m. on April 26, at which time we will review the budget estimates for the Office of the Secretary and the Office of the Solicitor of the Department of the Interior.

[Whereupon, at 4:03 p.m., Thursday, April 21, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 26.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, APRIL 26, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:05 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

OFFICE OF THE SECRETARY

STATEMENT OF J. ROBINSON WEST, ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION

ACCOMPANIED BY:
RICHARD MULBERRY, INSPECTOR GENERAL
RICHARD R. HITE, PRINCIPAL DEPUTY ASSISTANT SECRETARY, POLICY, BUDGET, AND ADMINISTRATION
WILLIAM D. BETTENBERG, DEPUTY ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION
DAVID A. GILBERT, BUDGET OFFICER, OFFICE OF THE SECRETARY
KENT LARSEN, ASSISTANT DIRECTOR, OFFICE OF WATER POLICY

PREPARED STATEMENT

Senator MCCLURE. The committee will come to order. This is the time scheduled to review the fiscal year 1984 budget requests of the Department of the Interior's Office of the Secretary, Office of the Inspector General, and Office of the Solicitor. We will begin with the Office of the Secretary and Office of the Inspector General, whose fiscal year 1984 budget requests total $46,854,000 and $17,185,000, respectively. Both requests are reductions from the fiscal year 1983 appropriated levels.

Representing the Department this afternoon will be Mr. J. Robinson West, Assistant Secretary for Policy, Budget and Administration, and Mr. Richard Mulberry, Inspector General of the Department of the Interior.

I want to welcome both of you gentlemen.

Mr. West, will you please introduce those colleagues who are with you this afternoon, and then we will proceed with questioning. Your full written statement will, of course, appear in the record.

[The statement follows:]

STATEMENT OF J. ROBINSON WEST

I am pleased to appear before you today in support of the Fiscal Year 1984 Appropriations Request for the Office of the Secretary.

In requesting funds for Fiscal Year 1984, it should be pointed out that the management team of the Department has worked hard to improve the quality of administration and delivery of services in Fiscal Years 1981, 1982 and 1983.

In the last two years, this Administration has sought to manage the Department of the Interior in an efficient, cost effective manner. We have implemented management reforms which have permitted substantial savings or improvements.

By way of example, we have

- Eliminated two of the four payroll systems used by the Department and committed to conversion over the next two years to a single system - at an estimated saving of $2 million per year.

- Created one of the best cash management systems in government, saving an estimated $1.6 million per year in interest costs alone by adopting wire transfers of major receipts and by reducing outstanding travel advances.

- Reduced by approximately 2 million hours, or over 19%, the amount of time needed by the public to prepare information for submission to the Department.

- Completely revised the Department's regulations governing employee responsibilities and conduct. The revised regulations contain strict and comprehensive restrictions (including those on ownership of interests in Federal lands) for selected classes of Interior employees.

- Eliminated 9,500 (49%) of the environmental assessments prepared by the Department each year, as a result of identification and categorical exclusion of those assessments that never lead to findings of significant impact. As a result, environmental assessment activities are focused more effectively on environmental concerns that matter.

- Saved over $15 million through improvements in management of the Department's computer, data processing, and information resources activities.

- Reduced by 76% the number of overdue unresolved audits and by 91% the associated unresolved costs through management commitment to following up on the results of audits.

- Overhauled the main Interior building, creating a cleaner and brighter working environment.

- Created the first Department-wide system for advanced procurement planning.

- Improved contracting policy to increase the percentage of procurement actions awarded by the Department through competitive procedures.

- Reduced Departmental overhead - especially in the offices of the Assistant Secretaries and in the field representatives of the Secretary.

The Fiscal Year 1984 request for the appropriations of the Office of the Secretary totals $46,854,000, a net decrease of $11,649,000 from amounts appropriated for Fiscal Year 1983.

The major change from 1983 to 1984 is the elimination of funds for the Office of Water Policy for State Water Research Institutes, and for water research and project administration carried out in the Bureau of Reclamation. The most significant increase from amounts appropriated in 1983 for "Office of the Secretary" results from general schedule and executive pay raises and the new Medicare Hospital Insurance Tax for Federal employees, all of which became effective during Fiscal Year 1983. These items, totalling $1,745,000, represent approximately three fourths of the total increased funds requested in this account. Several small program increases are also requested. New budget

authority is also requested under the Special Foreign Currency Program for foreign research in support of the Office of Surface Mining's domestic mining programs.

I would now like to highlight the 1984 program changes by appropriation.

Office of the Secretary

The requested program increases for the Office of the Secretary are as follows: $+454,000 for overhead support costs for the offices financed by this appropriation, including costs of telephone service (FTS), operation of motor vehicles, and the Office of the Secretary's share of working capital fund costs for common services provided to the Department;

$+249,000 for the purchase of additional library materials and maintenance of the resources of the Natural Resources Library;

$+200,000 for the Office of Environmental Project Review to develop regulations regarding damage assessment by Federal and State trustees under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA);

$+123,000 for full automation of complaint and productivity records and for development of an employment information data system in support of Equal Opportunity and Office of Personnel programs; and

$+25,000 for an ADP terminal and related ADP support to enhance the on-line transfer of budget data from the Department to the Congress and OMB.

Office of Water Policy

The major portion of the Office of the Secretary's change from 1983 to 1984 will be in the Office of Water Policy. The 1984 estimate for this office reflects a decrease of $12,586,000 from amounts appropriated in 1983.

This appropriation funds policy development work regarding Interior-related water issues and provides for representation of the Department's interests with the States for planning and coordinating water related issues.

In FY 1984 the Department is proposing to terminate funding for the State Water Research Institutes and for water research and project administration in support of Office of Water Research and Technology programs currently performed by the Bureau of Reclamation. We believe that the Federal government has funded this work long enough for the States and industry to decide if the work is worth pursuing. If it is, then we are confident that they will step forward and do so without further subsidy, but this should be an individual decision of each state and company.

In addition, a $236,000 reduction is proposed in the office's contract studies and management analyses program due to completion of initial information gathering in FY 1983 and FY 1984.

Construction Management

An appropriation of $896,000 is requested for this office in 1984, the same level as appropriated in 1983. This will provide for program administration staff costs to assist the bureaus and offices of the Department in planning, designing, constructing and operating facilities. Contract studies and systems development will be completed with funds currently available.

Salaries and Expenses (Special Foreign Currency Program)

An appropriation of $420,000 is requested in 1984 for mining reclamation research, performed by foreign countries, in support of Office of Surface Mining programs.

No new additional funds are requested for endangered species research. Unobligated balances currently available in 1983 and 1984 to the National Park Service and Fish and Wildlife Service will be sufficient to provide for current program operation.

This concludes my opening statement, Mr. Chairman. I appreciate the opportunity to discuss these matters with you. I and other appropriate members of the Department are available to answer any questions this Committee may have with regard to our request.

STATEMENT OF RICHARD MULBERRY

Thank you for the opportunity to appear before this committee. I would like to take a few moments to give you a brief summary of the Office of Inspector General's activities. The past year has been one of change and improvement for us. We continue to refine the way we do our work so our resources are devoted to those areas having the highest susceptibility to fraud, waste and mismanagement. OIG is working closely with Departmental officials to make assessments and assign vulnerability ratings of programs, functions, and organizations. OIG also participates with Department managers in the internal control review processes required by the Federal Managers' Financial Integrity Act.

We continuously review our audit approaches to make them as effective as possible. For example, we are increasing our use of computers as audit and investigative tools. Computers allow us to increase our coverage of areas that would otherwise go unreviewed if all of the work had to be done manually. In addition, as more operations become automated, we need to review the use of computers and the programs that drive them. It is important to note that only about 25% of our audit time can be used at our discretion, the remaining 75% is devoted to work that is imposed on us through legislation, Congressional Directives, OMB requirements and other governmentwide regulations.

In October 1982, Public Law 97-357 transferred the audit responsibilities of the territorial comptrollers to the Office of Inspector General. We are evaluating the personnel resources and assessing the audit and investigative needs of the territories and filling the numerous vacancies that existed at the time of the transfer. Our initial review indicates we need to keep the audit staff at least at its current level and to station Investigators in the Virgin Islands and Guam.

Considerable effort has gone into reviewing the payment of Royalties to the Federal Government and Indian Tribes. During FY 1984, we plan to complete audits of the 25 largest royalty payors and initiate audits of the next 25 largest companies. Audits already completed or in process have identified a potential $25 million in additional royalties due to the Government and Indian tribes. Our experience has shown that the benefits of oil and gas company audits usually outweigh the costs. In order to provide ongoing audit coverage of royalty payors, we are training our own staff to do this work.

Our 1984 budget request is for $17,185,000 which is a net decrease from 1983 of $4,315,000. The major changes between the 1983 appropriation and the 1984 request are: a decrease of $7,500,000 and 30 workyears to contract for royalty audit services no longer needed in 1984 as the funds were appropriated on a one time basis, initial reviews are completed or in progress and future audits of royalty payers will be done using OIG staff; an increase of $1,688,000 for the salaries and related expenses for 31 audit workyears to do royalty payor audits and 10 investigative workyears to do contract and grant cases and other priority work; an increase of $400,000 and 8 workyears for the salaries and related costs of lapsed 1983 staffing increases; an increase of $512,000 transferred from the Office of the Secretary's appropriation to cover space, postage and telecommunications costs previously paid from that appropriation; an increase of $456,000 as an adjustment to base to provide for the full-year cost of the 1983 General Schedule and Executive pay raises; and $129,000 to provide for the government's share of Medicare Hospital Insurance payments.

These requested changes to OIG's resource levels will provide for a balanced audit and investigative program directed toward those areas with the most vulnerability to fraud, waste and mismanagement.

INTRODUCTION OF ASSOCIATES

Mr. WEST. Thank you, Mr. Chairman.

With me at the table, to my left, is David Gilbert, Budget Officer for the Office of the Secretary, Richard Hite—Principal Deputy Assistant Secretary, Policy, Budget and Administration, Inspector General Mulberry, Bill Bettenberg, Deputy Assistant Secretary, Policy, Budget and Administration; and Kent Larsen, on the far right, from the Office of Water Policy, will help us on some of those questions, Mr. Chairman.

Senator MCCLURE. Thank you very much.

I will say at the outset that the best laid plans of every committee is subject to change. Because of the convening of a closed special session of the Senate this afternoon, which is due to start at 2:30, I will have to submit most of the questions; which, I am sure, distresses you a great deal.

Mr. WEST. Indeed, Mr. Chairman. [Laughter.]

WATER POLICY

Senator MCCLURE. In approving the 1983 Interior and Related Agencies Appropriations Act last December, the Congress included some $14,118,000 for the Office of Water Policy. Included in this appropriation was $6,350,000 for the State Water Research Institutes, $6 million for continuing saline and brackish water use, water reuse and membrane research transferred from the Office of Water Research and Technology, and $1,768,000 for policy analysis, State liaison and other administrative activities. For fiscal year 1984, you have requested $1,532,000 for this latter administrative oversight activity, but have again requested no funds for either the Institutes or the ongoing water use and reuse research.

I should add that in justifying no funds you could only mention in a one-line statement that the research carried out at the Institutes should be managed and funded at the State level. No mention was made of the water research transferred for administrative purposes only to the Bureau of Reclamation or of the fact that the Bureau's "General investigations" account where this funding was transferred has proposed a reduction of slightly more than $7 million for fiscal year 1984.

I am extremely disappointed that we have to fight this battle again this year. I would have thought that given the overwhelming bipartisan congressional support for these programs, and particularly for the Institutes. that the Department would want to maintain at least this minimum level of water research. But what you are in fact telling us again this year is that the Federal Government has no role in water research.

Isn't that the correct interpretation of the budget proposal?

Mr. WEST. No, sir. I don't think it is. Our position, particularly on the water institutes, was that the authorization for the institutes expired in 1981, so it has been a grant program which has been unauthorized for several years now.

We have found that the Department had been providing funding to 54 institutes for quite a long time now. We think in this time of budget

stringency it would be appropriate for the States to carry the burden. In the past a number of the institutes were very poorly operated; there were 450 reports outstanding that have not been properly processed. Furthermore, we found that only 8 of the 54 institutes were not delinquent in their financial reports. This has not been a very well run program. We are trying to tighten it this year and we think that it is something that, frankly, the States could appropriately handle at this point.

WATER RESEARCH FUNDING

Senator McCLURE. I understand that, but that deals with the problems you have with the institutes and not whether or not the Federal Government has a role in research.

If you zero these funds out, what remaining do you have in water research?

Mr. WEST. Mr. Bettenberg can answer that. There are a number of programs.

Senator McCLURE. Are you telling him he'd better be able to answer that? [Laughter.]

Mr. BETTENBERG. Mr. Chairman, I don't have a number with me. I think that I could supply for the record roughly the total funding in the Federal budget for water research. But directed research has had many, many problems. The Geological Survey, for instance, has not only water data gathering but also water research functions on hydraulic cycles both below surface and above surface. The Corps of Engineers and Bureau of Reclamation, have researched their particular problems. The Agriculture Department has research directed toward its specific problems so far as water is concerned. The Environmental Protection Agency has very substantial sums of money for research on water, as does the Geological Survey.

Senator McCLURE. Could you supply that for the record? And would you, please, in doing so, separate data collection from utilization research?

Mr. BETTENBERG. Surely.

Senator McCLURE. And separate ground water from surface water?

Mr. BETTENBERG. Yes, sir. Surely.

INSTITUTE RESEARCH

Senator McCLURE. Isn't a significant portion of the research being conducted at the Institutes in fact extremely important to a broad range of Federal water policy questions?

Mr. WEST. I would let Mr. Larsen speak to the specifics of that.

Mr. LARSEN. Mr. Chairman, it is true that there would be research that would be relevant. We found, however, that much of the research that is accomplished tends to be specified to a local type problem and not as general as it probably should be for a Federal kind of involvement.

Senator McCLURE. If, as a matter of fact, it bears upon Federal policy and is useful in it, who is going to pick up the burden? Who is going to

do what the Research Institutes are now doing that does affect Federal water policy?

Mr. LARSEN. Well, I think, as Mr. Bettenberg has said, there are a number of programs throughout the Government.

Senator MCCLURE. But are they being increased?

Mr. LARSEN. I don't know the answer to that, sir.

Senator MCCLURE. When you supply the information about where it is given, could you give me the dollar amounts for last year and the proposed dollar amounts for this year in each of those areas?

Mr. BETTENBERG. Surely.

[The information follows:]

FEDERAL FUNDING OF WATER RESEARCH

The latest information available on Federal funding of water research is for fiscal year 1981. A detail of this funding compiled by the National Academy of Science National Research Council follows:

TABLE 1.—NATIONAL FUNDING OF WATER RESOURCES RESEARCH, DEVELOPMENT, DEMONSTRATION, AND TECHNOLOGY TRANSFER, CLASSIFIED BY WRRRC RESEARCH CATEGORIES, FISCAL YEAR 1981

[In millions of dollars]

Departments (agencies and programs where available)	WRRRC categories						
	I	II	III	IV	V	VI	Total
Agriculture:							
Economics and statistics				1.1		1.1	
Forest Service	0.5	0.5	0.3	7.0		0.5	8.8
SEA agricultural research	3.4	1.0	5.8	26.6			36.8
SEA cooperative research		1.5	2.3	0.7	0.1	0.1	4.7
SEA extension		0.3	1.7	0.4			2.4
Total	3.9	3.3	10.1	34.7	1.2	0.6	53.8
Commerce-NOAA:							
NWS hydrologic programs	1.5			0.4			1.9
NWS precipitation forecasting	0.8			0.2			1.0
NWS systems development				0.4			0.4
ERL meterological	0.2						0.2
ERL weather modification	0.2			0.1			0.3
RD weather modification	1.1			1.1			2.2
ERL marine environment	0.2	1.0					1.2
ERL wave propagation	2.1			0.1			2.2
ERL air resources	0.2						0.2
ERL fluid dynamics	0.3						0.3
RD Great Lakes Environmental Laboratory	1.1	2.5					3.6
RD sea grant program		4.6	0.9	0.5	0.8		6.8
CZ coastal zone management		0.1	1.6	1.6	0.2		3.5
F fisheries/habitat		6.4	1.6				8.0
EDIS environmental assessment	0.1			0.1			0.2
EDIS geo-solar data				0.6			0.6
NESS Office of Research	0.2						0.2
NOAA remote sensing	1.6	1.5					3.1
Total	9.6	16.1	4.1	5.1	1.0		35.9

See footnote at end of table.

TABLE 1.—NATIONAL FUNDING OF WATER RESOURCES RESEARCH, DEVELOPMENT, DEMONSTRATION, AND TECHNOLOGY TRANSFER, CLASSIFIED BY WRRRC RESEARCH CATEGORIES, FISCAL YEAR 1981—Continued

[In millions of dollars][1]

Departments (agencies and programs where available)	WRRRC categories						
	I	II	III	IV	V	VI	Total
Energy:							
Energy sciences	1.7						1.7
Power marketing							
Geothermal	8.1					8.4	16.5
Nuclear	1.3	0.1	0.1	4.7		0.1	6.3
Health/environment		0.9	1.0				19.9
Small hydroelectric		0.4		0.4			0.8
Environmental compliance			1.3	1.6		1.8	4.7
Environmental analysis			0.2	0.3	0.3	0.7	1.5
Conservation and solar						1.0	1.0
Energy Regulatory Commission				0.2		0.3	0.5
Other		2.1	1.4				3.5
Total	11.1	3.5	4.0	7.2	0.3	12.3	38.4
Health and Human Services:							
Food and Drug Administration			0.4				0.4
Cancer Institute			2.8				2.8
Eye Institute			1.2				1.2
Allergy and infectious disease			3.2				3.2
Environmental health			1.6				1.6
Toxicology			2.5				2.5
Total			11.7				11.7
Interior:							
Land management				0.8			0.8
Mines		2.0					2.0
Surface mining	0.3	0.3		0.2			0.8
Research and technology	1.8	1.7	5.2	13.8	2.9	8.3	33.7
Fish and wildlife		2.5	4.7	10.3			17.5
Geological survey	11.3	17.1			0.5		28.9
Water and power	7.9	0.3	0.3	0.4	0.3	3.7	12.9
Total	21.3	23.9	10.2	25.5	3.7	12.0	96.6
Transportation:							
Coast Guard	0.1	0.4	3.2				3.7
Highway Administration	0.7	0.5					1.2
St. Lawrence Seaway	0.1			0.4			0.5
Total	0.9	0.9	3.2	0.4			5.4
Environmental protection:							
Municipal waste water			21.4				21.4
Industrial waste water			16.3				16.3
Water quality			26.0				26.0
Drinking water			28.7				28.7
Total			92.4				92.4
NASA	1.7	0.2	1.0	1.7			4.6
NSF	2.1	1.4	1.1				4.6
TVA	0.3	1.2	2.2	1.5	0.2		5.4
U.S. Army Corps of Engineers:							
Materials				3.3			3.3
Coastal engineering	2.9			4.8			7.7

See footnote at end of table.

TABLE 1.—NATIONAL FUNDING OF WATER RESOURCES RESEARCH, DEVELOPMENT, DEMONSTRATION, AND TECHNOLOGY TRANSFER, CLASSIFIED BY WRRRC RESEARCH CATEGORIES, FISCAL YEAR 1981—Continued

[In millions of dollars][1]

Departments (agencies and programs where available)	WRRRC categories						
	I	II	III	IV	V	VI	Total
U.S. Army Corps of Engineers—Cont.							
Floods and navigation	0.2			4.8			5.0
Environmental quality		3.5	0.3				3.8
Planning	1.0			1.4	0.8		3.2
Satellite application				0.9			0.9
Aquatic plant control				1.4			1.4
Fisheries protection		1.5					1.5
Environmental studies		4.8		0.1			4.9
Stream bank erosion				0.2			0.2
Total	4.1	9.8	0.3	16.9	0.8		31.9
Total for all programs	55.0	60.3	140.3	93.0	7.2	24.9	380.7

[1] Data have been rounded to nearest 100,000 with adjustment to conform to agency totals.
Source: Compiled from the 5-year program report.

WATER RESOURCES RESEARCH REVIEW COMMITTEE (WRRRC) CATEGORIES

I. Atmospheric, hydrologic, and hydraulic processes.
II. Ecological-environmental relationships in water resources.
III. Water quality protection and control.
IV. Water resources management.
V. Institutional analysis.
VI. Other (primarily demonstration and technology transfer).

DATA COLLECTION AND UTILIZATION RESEARCH

The foregoing table indicates a total national effort of $380.7 million for water resources research, development, demonstration, and technology transfer. The Water Resources Research Review Committee believes that only a portion of this total consists of activities the committee would classify as research. In addition to the development, demonstration, and technology-transfer programs, substantial programs that provide service and assessments of conditions or problems in specific localities seem to be included. The exact magnitude of these nonresearch programs is difficult to determine but the committee believes that the research program is about half of the total of $380.7 million or $190.4 million.

GROUNDWATER AND SURFACE WATER RESEARCH

Separate data on groundwater and surface water research is not available Governmentwide. However, statistics available for the U.S. Geological Survey indicate that the water related activities that have major groundwater components are estimated to be $80 million. Those with surface water components are estimated to be $110 million.

ALLOCATION OF FUNDS TO WATER RESEARCH INSTITUTES

Senator MCCLURE. Now if I can address for a moment the questions you raised with respect to the Institutes.

Earlier this year the Office of Water Policy proposed a number of new guidelines relating to the allocation of funds to the 54 water institutes. I understand those recommendations have changed somewhat from the original proposal. Can you outline for the committee the current status of these recommendations and highlight the major changes from the current program?

Mr. WEST. Again, I'll let Mr. Larsen speak to that, Mr. Chairman.

Mr. LARSEN. We had supplied to each of the Institute directors guidelines to use the funding that had been provided. And one of the things that we required of them was to see that all reports were submitted prior to the approval of the funding for this current fiscal year. We are in the process now of receiving from them their proposals. That's one of the conditions. Maybe that's not the best word to use.

We are in the process of receiving their proposals, now, and we intend to commit money for that funding by the end of the fiscal year.

Senator MCCLURE. You've referred to the fact that the Institutes are submitting proposals. Were they invited to participate in the formulation of the guidelines?

Mr. LARSEN. Yes, sir. There was a meeting held by Director Thomas Bahr in Denver about 1 month or so ago, where the representative directors from the Institutes attended and discussed these provisions with him. And there was agreement on the guidelines that were then sent out to the States, the Institutes.

Senator MCCLURE. Are the guidelines now final?

Mr. LARSEN. Yes.

Senator MCCLURE. Could you provide a copy of those for the committee, please?

Mr. LARSEN. Yes, sir.

[The information follows:]

WATER INSTITUTE GUIDELINES

The attached memoranda (to Institute Directors, dated March 24, 1983, and March 25, 1983) constitute the guidelines requested.

[Memorandum]

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF WATER POLICY,
Washington, D.C., March 24, 1983.

To: Directors, State Water Research Institutes.
Subject: 1983 Water Research Institute Program Grant.

Four copies of the grant document are enclosed showing your individual grant number. Please complete sections 4, 5, and 10 and return three copies. Your signature and that of the university official authorized to commit funds are required. We will countersign and return one copy following our aproval of your 1983 program proposal. Guidelines for proposal preparation and submission will follow in a few days.

We had hoped to be able to provide for funding of Director's office functions in advance of our approval of the program. The Department's grants policy, however, precluded this option. This document alone, however, should serve as evidence to university officials that the process for obtaining these grant funds has been started. If proposal preparation moves on the schedule I had discussed with the NAWID Council at our meeting in Denver last month, I expect that we can start voucher processing as early as May.

THOMAS G. BAHR,
Director.

Enclosure.

U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF WATER POLICY
18TH and C STREETS, N.W.
WASHINGTON, D.C. 20240

STATE WATER RESEARCH INSTITUTE PROGRAM GRANT FOR FY 1983

1. Grant Number	2. Effective Date	3. Total Amount Federal Share $115,000 Institute Share not less than $ 57,500

4. State Institute name, mail address and phone	5. Institute Director's name
6. Appropriation and Accounting Data (for Interior Dept. use only) 1430116/WZ7120D02	7. Payment Schedule See Article 10, Grant Schedule
8. Authority P.L. 95-467, as amended	9. Period of Performance October 1, 1982 to August 31, 1984 (including all reports, see article 18)
10A. For the Institute By _____ (Signature) _____ (Name Typed) _____ (Title)	11. For the UNITED STATES OF AMERICA By _____ (Signature) _____ (Name Typed) Director, Office of Water Policy
10B. For the University By _____ (Signature) _____ (Name Typed) _____ (Title)	

GRANT SCHEDULE

Article 1: Authority

The FY 1983 Department of the Interior (DOI) and Related Agencies Appropriations Act provides Federal funds for the FY 1983 Water Research Institute Program. Pursuant to the provisions of the Water Research and Development Act of 1978 (P.L. 95-467, as amended), hereinafter referred to as the Act, the Director of the Office of Water Policy (OWP), acting on behalf of the Secretary of the Interior by means of this grant and subject to the terms hereof, agrees to provide FY 1983 Federal funds to carry on the work of the designated State or Territorial water resources research and technology institute or center, hereinafter referred to as the Institute.

Article 2: Purpose

This grant is for support of research, investigations or experiments of either a basic or practical nature to solve or mitigate priority water resources problems common among States; to promote dissemination and application of results of these efforts; to provide for training of scientists and engineers through their participation in such efforts; and to perform related activities in furtherance of the provisions and objectives of the Act.

Article 3: Institute Program Approval

This grant requires OWP approval of a proposed Institute program. Approval is contingent on the Institute having satisfied all ACP and matching grant reporting requirements at the time of proposal submittal and providing evidence in the proposal that:

1) Research and technology or information transfer content is directed at solution of priority regional or State (Alaska, Guam, Hawaii, Puerto Rico and Virgin Islands only) water issues or management problems;

2) Proposals have been invited from all qualified universities or colleges in the State;

3) Evaluation of proposals for technical merit has been carried out;

4) The development of the proposal has been coordinated with State and other leading water officials; and

5) Other Institute directors of the region as defined by NAWID concur on the relevance of program content. This requirement does not apply to AK, GU, HI, PR and VI.

Article 4: Review

The Institute recognizes that its program activities, performed pursuant to the provisions of Title 1 of the Act, are subject to DOI review, consistent with the provisions of the Act.

Article 5: Responsibilities

The Institute is responsible for: (a) screening proposals for technical merit and regional relevance; (b) receipt, disbursement, accounting and reporting of Federal funds received pursuant to this Grant; (c) conformance to financial plans as submitted to and approved by OWP; and (d) the conduct of research, investigations, experiments, training, and related program activities, as submitted to and approved by OWP.

Article 6: Cost Sharing

In accepting Federal funds pursuant to this grant, the Institute understands that costs shall be shared by OWP and the Institute on a total program basis, as provided by Section 401(a)(3) of the Act, and that this Grant is subject to OMB Circular A-110, which is incorporated herein by reference and made a part hereof.

Article 7: Limitation on Institute Director's Office Funding

No more than $20,000 (twenty thousand dollars) of this grant shall be used to fund expenses of activities of the Institute Director's Office. A narrative description of how these funds are to be used must be included in the proposal. These expenses are generally the direct costs of salaries of the Director and support staff in program development and implementation, travel of institute personnel within and among States, and purchase of supplies and equipment rental.

Article 8: Reserve Accounts Prohibited

No funds made available to an Institute pursuant to this grant may be held in a reserve account of any kind. All funds must be identifiable with projects or activities in the program proposal when first submitted.

Article 9: Travel

The use of Federal funds for travel shall be in accord with the regulations of the university where the project is being undertaken and shall be authorized at the discretion of the Institute Director with the concurrence of the appropriate university administrative officials, except that no Federal funds shall be used to support foreign travel.

Article 10: Payments

A "request for advance or reimbursement of funds" (SF 270) is allowable for each three (3) month interval prorated over the grant performance period only for costs incurred or anticipated in the interval covered. Director's office costs only are allowable retroactive to October 1, 1982. The SF 270 must be accompanied by a statement from the Institute Director that all activities in the OWP-approved program are proceeding on schedule, and that the amount requested is appropriate.

Article 11: Responsible Official

This grant is subject to the condition that the Institute Director shall, during the entire period of performance, be responsible for the conduct of the activities described in the approved proposal. Individual studies, research projects, etc., included in the proposal may be conducted by selected Principal Investigators acceptable to OWP. Whenever Principal Investigators become unavailable for any reason to discharge their responsibilities, the Institute Director shall arrange for replacement of such Investigators with other qualified Investigators. OWP shall be notified immediately of such changes and shall be provided with an appropriate vita of the new Principal Investigator(s). The Office shall also be notified immediately of any other situation that would prevent the project from proceeding according to the original plan as detailed in the individual project proposal.

Article 12: Termination and Suspension

The OWP may terminate this Grant according to the provisions of Attachment C, OMB Circular A-110, which is incorporated herein by reference and made a part hereof. Upon termination, the Institute shall provide a termination report and a final fiscal report in the manner described in Article 18 entitled "Reports."

Article 13: Records

The Institute or its host Institution shall follow standards for financial management systems prescribed in Attachment F, OMB Circular A-110, which is incorporated herein by reference and made a part hereof.

Article 14: Equipment

In the event the approved financial plan for each proposed research and technology transfer project contained an estimated dollar amount for equipment, the Institute shall not, without prior approval of OWP, exceed the dollar amount estimated for purchases of equipment by more than $500 or 15% whichever amount is greater.

Title to property purchased by the Institute with Federal funds provided under the terms of this grant (Sec. 101(a) of the Act funds) vests automatically in the Institute.

Article 15: Examination of Records

The Institute shall follow the retention and custodial requirements for records set forth in Attachment C, OMB Circular A-110, which is incorporated herein by reference and made a part hereof.

Article 16: Allowable Costs

The allowability of all costs under this grant shall be determined in accordance with Office of Management and Budget Circular A-21 as revised.

Article 17: Consultation and Inspection

The Institute Director and Principal Investigator(s), when requested, will advise or consult on matters relevant to the research at the Institute at such times and places as are mutually agreeable. OWP has the right, at all reasonable times, to inspect or otherwise evaluate the work being performed under this grant.

Article 18: Reports

The Institute shall furnish reports in connection with the work under the grant as follows:

A. 1983 Institute Program Report (Annual Report for FY 1983). Ten copies of a final 1983 Institute Program Report covering all activities of the Institute supported by funds from this grant shall be submitted to OWP not later than August 31, 1984. This report shall provide a synopsis of each separate activity carried out under the grant, including research, technology transfer activities, cooperation with State Territorial and local officials, etc. The synopses shall state project objectives and contain statements in sufficient detail to show the degree of achievement toward such objectives, describe the nature of the research and summarize the results or conclusions reached. Each synopsis shall contain a list of all publications resulting from the project. One copy of each research and technology completion report used as a basis for a project or activity synopsis shall be submitted to OWP for the official file.

The FY 1983 Institute Program Report and all publications resulting from the 1983 Institute Program shall include an appropriate acknowledgement of participation by the Department of the Interior in providing financial support to the project. The acknowledgement shall read as follows:

> "The research on which this report is based, was financed in part by the United States Department of the Interior as authorized by the Water Research and Development Act of 1978, (P.L. 95-467)."

Similarly, each publication and the Institute Program Report shall display prominently the following disclaimer:

> "Contents of this publication do not necessarily reflect the views and policies of the U.S. Department of the Interior, nor does mention of trade names or commercial products constitute their endorsement or recommendation for use by the U.S. Government."

B. Final Fiscal Reports. A final fiscal report (SF 269) is required for this Water Institute Program grant not later than August 31, 1984.

Article 19: Civil Rights

The Institute, in applying for and accepting this grant of Federal financial assistance, hereby assures that the program will be conducted or the facility operated, as the case may be, in compliance with all requirements imposed by the Civil Rights Act of 1964 and the Interior Department's implementing regulations (43 CFR 17).

Article 20: Equal Opportunity

(The following clause is applicable unless this grant is exempt under the rules, regulations, and relevant orders of the Secretary of Labor (41 CFR, Ch. 60).)

During the performance of work pursuant to this grant:

(a) The Institute will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Institute will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Institute agrees to post in conspicuous places, available to employees and applicants for employment, notices provided by the Contracting Officer setting forth the provisions of this Equal Opportunity clause.

(b) The Institute will, in all solicitations or advertisements for employees placed by or on behalf of the Institute, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Institute will send to each labor union or representative or workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the labor union or workers' representative of the Institute's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Institute will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Institute will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by OWP and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Institute's noncompliance with the Equal Opportunity clause of this grant or with any of the said rules, regulations, or orders, the grant may be cancelled, terminated, or suspended, in whole or in part, and the Institute may be declared ineligible for further Government grants or contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Institute will include the provisions of paragraphs (a) through (g) in every subgrant, subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subgrantee, subcontractor or vendor. The Institute will take such action with respect to any subgrant, subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance: provided, however, that in the event the Institute becomes involved in, or is threatened with, litigation with a subgrantee, subcontractor or vendor as a result of such direction, the Institute may request the United States to enter such litigation to protect the interests of the United States.

Article 21: Clean Air and Water Acts

The provisions of this clause are applicable unless the grant is exempt under the following requirements:

(1) Transactions not exceeding $100,000.

(2) Grants, subgrants, loans or subloans, the principal purpose of which is to assist a facility or facilities to comply with any Federal, State, or local law, regulations, limitation, guidelines, standard, or other requirement relating to the abatement, control or prevention of environmental pollution.

(3) Facilities outside the United States. (The term "United States," as used herein, includes the States, District of Columbia, Commonwealth of Puerto Rico, Virgin Islands, Guam and American Samoa, and Trust Territories of the Pacific Islands.)

(a) For the purpose of this clause:

(1) The term "Air Act" means the Clean Air Act, as amended (42 U.S.C. 1857, et seq. as amended by Public Law 91-604).

(2) The term "air pollution control agency" means any agency which is defined in Section 302(b) and Section 302(c) of the Air Act.

(3) The term "clean air standards" means any rules, regulations, guidelines, standards, limitations, orders, controls, prohibitions, or other requirements which are contained in, issued under, or otherwise adopted pursuant to the Air Act of Executive Order 11738, an applicable implementation plan as described in Section 110(d) of the Air Act, an approved implementation procedure or plan under Section 111(c) and Section 111(d), respectively, of the Air Act, or an approved implementation procedure under Section 112(d) of the Air Act.

(4) The term "clean water standards" means any limitation, control, condition, prohibition, or other requirement which is set by the Water Act or contained in a permit issued to a discharger by the Environmental Protection Agency, or by a State under an approved program as authorized by Section 402 of the Water Act, or by a local government to ensure compliance with pretreatment regulations as required by Section 307 of the Water Act, including any provisions with respect to inspections, monitoring, and entry, as authorized by Section 308 of the Water Act.

(5) The term "compliance" means compliance with clean air or water standards, or a schedule or plan ordered or approved by a court of competent jurisdiction, the Environmental Protection Agency (EPA), or an air or water pollution control agency, in accordance with the requirements of the Air or Water Act and regulations issued pursuant thereto.

(6) The term "facility" means a non-Federal building, plant, installation, structure, mine, area, location, or site of operations, to be utilized in the performance of a contract or loan. Where an area, location, or site of operations contains or includes more than one building, plant, installation or structure, the entire area, location, or site shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determine the independent facilities are co-located in one geographical area.

(7) The term "Water Act" means Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq. as amended by Public Law 92-500).

(8) The term "water pollution control agency" means any agency which is defined in Section 502(1) or Section 502(2) of the Water Act.

(b) The Institute agrees that any facility which is utilized in the performance of this grant is not listed on the EPA List of Violating Facilities pursuant to 40 CFR, Part 15.20.

(c) In the event the Institute fails to comply with clean air or water standards at such facilities, the grant may be cancelled, terminated for default or suspended for such failure, in whole or in part, and the Government may refrain from further granting with the grantee.

(d) The Institute agrees to comply with all the requirements of Section 114 of the Air Act and Section 308 of the Water Act relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 and Section 308, respectively, and all regulations and guidelines issued thereunder.

(e) The Institute agrees to promptly notify the awarding official of the receipt of any notice from the Director, Office of Federal Activities, Environmental Protection Agency, indicating that any facility utilized or to be utilized under the grant is under consideration for listing on the EPA List of Violating Facilities.

(f) The Institute further agrees to insert, in any subgrant hereunder, unless otherwise exempted pursuant to the EPA regulations implementing the Air or Water Act (40 CFR, Part 15.5) provisions which shall include the criteria and requirements set forth in this clause, including this paragraph (f). The Institute shall take such action as DOI may direct as a means of enforcing such provisions.

Article 22: Employment of the Handicapped

The applicant agrees that it will comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 8794, P.L. 93-112), and all requirements imposed by the foregoing statute. The applicant agrees that, in accordance with the foregoing requirements, no otherwise qualified handicapped person, by reason of handicap, shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance, and assures that it will take any measures necessary to effectuate this agreement.

Article 23: Utilization of Minority Academic Institutions and Business Enterprises

(a) It is the policy of DOI that historically Black colleges and other academic institutions with high Hispanic or other minority enrollment, and minority business enterprises, shall have the maximum practicable opportunity to participate in the performance of Government grants.

(b) The Institute agrees to use its best efforts to carry out this policy in the award of its grants to the fullest extent consistent with the efficient performance of this grant. As used in this grant, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. The Institute may rely on written representation by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

Article 24: Utilization of Small Business Concerns

(a) It is the policy of the Government as declared by the Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

(b) The Institute shall accomplish the maximum amount of subcontracting to small business concerns that the Institute finds to be consistent with the efficient performance of this grant.

Article 25: Patents

Investigators under this grant are subject to the provisions of OMB Circular A-124, which is incorporated herein by reference and made a part hereof.

MAR 25 1983

Memorandum

To: Directors, State Water Research Institutes

Subject: Guidelines for the Preparation and Submittal of the State Water Research Institute Program Proposal for 1983.

The enclosed guidelines incorporate a number of changes from those issued for the ACP by OWRT. I urge your close attention to them. Phone Frank Carlson (202 - 343-3470) if you have any questions. A supply of form SF 270, "Request for Advance or Reimbursement of Funds," and instructions for its preparation will follow shortly. Guidelines for preparation of final narrative and financial reports will be issued later.

We encourage your working closely with State water officials in the development of your program. On the accompanying sheet you will find the name of the Governor's designee to serve as contact for OWP. We have a liaison function with the 50 states only.

Thomas G. Bahr
Director

Enclosures

GUIDELINES

FOR THE PREPARATION AND SUBMITTAL OF

STATE WATER RESEARCH INSTITUTE PROGRAM PROPOSAL FOR 1983

SECTION I

GENERAL INFORMATION

1. Purpose. The purpose of this memorandum is to establish procedures for the preparation and submittal of Institute Program Proposals by State Water Research Institutes for use of 1983 funds.

2. Preparation and Submittal of Proposals.

a. The proposal for the 1983 Institute Program is to consist of a program executive summary of the entire program, a Federal assistance application (SF 424), description of activities in the Director's office, and synopses and full proposals for each of the research and technology transfer projects.

b. The program summary and project synopses must incorporate information to show the relevance of their content to critical water resources issues or management problems common among States in the region and the contribution the project or activity is expected to make toward their solution.

c. The program proposal may be submitted to OWP any time after concurrence with its content has been obtained from other Directors in the region through September 15, 1983 except that August 31, 1984 is to be the common completion and reporting deadline for all programs.

17-834 O - 84 - 45

3. Restrictions.

a. Cost-Sharing. Federal funds provided for the Institute program will be on a cost-sharing basis one (1) non-Federal share for every two (2) Federal shares allotted. This cost-sharing ratio applies to an Institute's overall program, not to each individual project or activity included within the program. The non-Federal share may be in cash or in kind.

b. Indirect Costs. Federal funds made available under this program shall not be used for support of indirect costs as defined in current Federal Regulations; however, such indirect costs may be credited as cost-sharing non-Federal contributions to the program.

c. Reserve Accounts Prohibited. No funds made available to an Institute for the FY 1983 Institute program may be placed in a reserve account of any kind. All funds granted to an Institute must be obligated to projects identified in the Institute program proposal submitted to and approved by OWP and not held in reserve for future obligation.

d. Program Orientation. Each Institute except Alaska, Guam, Hawaii, Puerto Rico, and the Virgin Islands must select from proposals available to it those that are technically sound and show greatest potential as determined jointly with other Institute Director's for advancing the solution of critical water problems of their region identified in the "Regional Five-Year Research Plan" prepared by Institute Directors in 1980. The five Institutes identified above should collaborate on common problems whenever possible, otherwise use their individual five-year research plans.

e. Program Content. Each Institute may mix research and technology/information transfer projects as needed at funding levels sufficient for attainment of objectives and reporting to OWP by August 31, 1984. No projects consisting merely of data tabulation or analysis, of development of equipment nor of updating of the five-year plan are allowable in the program.

f. Program Duration. The deadline for reporting the results of the program supported by the grant is August 31, 1984. Therefore, Institute Directors must adjust project schedules accordingly.

g. Program Participants. Only Institutes that have satisfied fully all previous reporting requirements established by OWP on November 29, 1982 and February 18, 1983 can expect prompt OWP approval of program proposals. The remainder must first clear up their delinquencies to OWP's satisfaction. Investigators on previous OWRT projects where the Institute was obliged to prepare a termination or administrative completion report are not eligible to receive grant support in this program.

h. Staff Benefit Costs. In the Institute program, staff benefit costs are defined as direct costs. OWP funds may be used to support staff benefit costs in proportion to the extent that the salary or wages to which the benefits relate are also paid from OWP grant funds. For example, if 25% of an employee's salary is supported by OWP grant funds, then 25% of the staff benefit costs pertaining to that individual can be supported from OWP grant funds. Staff benefits include those employer contributions (employee insurance, pension plan, etc.) which are granted in accordance with established institutional employment policies.

4. Program Development.

The program proposal submitted by the Institute to OWP for consideration should be directed toward the solution of water-related problems identified in the regional five-year goals and objectives. Prior to submittal to OWP, the program proposals are to be reviewed and their content endorsed by the other members of the region as defined by the National Association of Water Institute Directors (NAWID) to assure that the programs reflect accurately regional needs.

b. The necessity for each State Institute to collaborate closely and consult with leading water resource officials within the State and region in the development of the Institute's programs and to promote research, training, information dissemination and other activities meeting the water-related needs of the State is a continuing requirement of the Water Research and Development Act of 1978. In preparing its Institute's program, each Director shall invite the views and comments of qualified State and Territorial water officials. Evidence of this communication may be in the form of copies of correspondence, records of phone conversations, etc.

c. OWP is responsible for assuring that the program requirements for quality, relevance and consultation are met, that Institute efforts are coordinated and that undesirable duplication is avoided. As the program is focused on regional water problems common among States, OWP intends that the major responsibility for the formulation and conduct of the program resides with the Institutes.

SECTION II

SPECIFIC INSTRUCTIONS ON PREPARATION AND SUBMITTAL OF THE PROPOSED INSTITUTE PROGRAM

Submit two complete unbound sets of the Institute program proposal as soon as practicable but no later than September 15, 1983. Include a table of contents and use colored or tab separators to identify the components. Mail to:

Director
Office of Water Policy
U.S. Department of the Interior
Washington, D.C. 20240

ATTN: Georgia Thomas

Program Components

1. Program Executive Summary - Use format described below.

   a) Title: Executive Summary - 1983 _____ Water Research Institute Program (State or Territory)

   b) Federal funding: $115,000
      non-Federal funding: _____

   c) Names of Institute Director and Deputy, Associate or Assistant Director

   d) Objectives and Expectations - Describe briefly the water problem foci of the research and technology projects and how their results may hasten solutions.

   e) Cooperative Arrangements - Describe processes used to advertise program to university/college investigators in State, evaluate proposals for technical merit and relevance to critical water problems and final packaging of program proposal. Enclose with the executive summary a dated statement signed by all Institute Directors of your region (except for Alaska, Guam, Hawaii, Puerto Rico and the Virgin Islands) that your proposed program has been evaluated and content found relevant to common water problems or issues. Include also copies of all announcements, distribution lists, correspondence, names of contacts, and other documents that will help describe your cooperative arrangements.

2. Federal Assistance Application

   a. Complete sections I and II of the enclosed SF 424 according to instructions attached to it. A hypothetical application for Alabama

is enclosed to aid you further. Use of block 2a is optional. Write "NA" in blocks 3a, 3b, 11, 15, 18, 19, 22b, 23a, 23b and 23c. OWP will complete section III except for blocks 28, 38a and 38b which are not applicable.

b. Complete section IV (separate) financial estimate and plan. Number each activity and project in consecutive order starting always with the Director's office. Use a 6-digit code consisting of the first 4 numbers from your grant plus 01 always for the Director's office, 02 always for the first of the research projects and 22 always for the first of the technology/information transfer projects. Thus, in the partly completed Wyoming example enclosed, the nos. are, respectively, 385401, 385402 and 385422. These numbers are to appear also at the top of the corresponding narrative described in sections 3 and 4.

3. Director's Office Activities

Describe principal activities you and office staff have performed in administration of the 1983 program during the 6 month period ending March 31, 1983 and expected in like intervals over the remainder of the grant performance period. Include travel accomplished and planned. Code at top as described in 2b.

4. Research and Technology/Information Transfer Project Proposals

Include in this section a full narrative and synopsis prepared by the principal investigator(s) for each proposed project in your program. The synopsis, not to exceed two pages, is to consist of:

a. The project number

b. The project title

c. Name(s) and university affiliation of the principal investigator(s)

c. Explanation of need for the project

e. Explanation of benefits expected from projects and how they might be used.

The full proposal is to consist of:

a. Project No. Use the same number you listed in section IV of SF 424. See instructions for 2b.

b. Project Title. A title of not more than one hundred characters should be adequate to describe the theme of the proposed project. The title should include keywords suitable for indexing and retrieval. The relationship of the proposed effort to some facet of the water resource field should be indicated in the title.

c. Name(s) and Address(es) of Principal Investigator(s)

d. Principal Investigator(s) Vita(e)

e. Period of Performance. The planned starting and completion date inclusive of the time necessary for the preparation of a project report to permit the Institute to submit its program report to OWP by the August 31, 1984 deadline.

f. Relevance of Proposed Project. The proposal must show relevance to solution of critical water problems common to States of the region.

g. Objectives. There must be a statement of specific project objectives showing the results expected to be achieved through performance of the proposed research. The relationship of the proposed effort to the problem or problems concerned should be clearly identified in the objectives statement.

h. Background Information and Related Ongoing Research or Development. The proposed project should not involve undesirable duplication of completed or ongoing work. Therefore, the proposal must contain (a) concise information and citations of related ongoing and completed research and (b) an explanation of how the proposed project differs.

i. Procedures and Facilities. Sufficient information on procedures and facilities must be submitted to permit an appraisal their adequacy for successful attainment of project objectives. The scope and plan of the proposed effort should be a definite statement of what the applicant proposes to do during the period of performance of the project.

j. Financial Estimate. Justification for expenditures for non-expendable equipment over $1000 must appear here. The estimated costs of the project however, are to appear in section IV of SF 424.

k. Administrative Information. OWP does not now require information on numbers of faculty, students and other personnel supported by project funds. Institutes should continue to maintain appropriate records for future inquiries.

SAMPLE - HYPOTHETICAL APPLICATION

OMB Approval No. 29-R0218

FEDERAL ASSISTANCE

1. TYPE OF ACTION (Mark appropriate box)
- [ ] PREAPPLICATION
- [X] APPLICATION
- [ ] NOTIFICATION OF INTENT (Opt.)
- [ ] REPORT OF FEDERAL ACTION

2. APPLICANT'S APPLICATION
a. NUMBER: AL-83
b. DATE (Year month day): 19 83-05-15
Leave Blank

3. STATE APPLICATION IDENTIFIER
a. NUMBER: NA
b. DATE (Year month day): ASSIGNED NA 19

SECTION I—APPLICANT/RECIPIENT DATA

4. LEGAL APPLICANT/RECIPIENT
a. Applicant Name : Auburn University
b. Organization Unit : Water Resources Research Institute
c. Street/P.O. Box : 202 Hargis Hall - Auburn Univ.
d. City : Auburn
e. County : Lee
f. State : AL
g. ZIP Code: 36849
h. Contact Person (Name & telephone No.) : Prof. James C. Warman (205) 826-5075

5. FEDERAL EMPLOYER IDENTIFICATION NO.
1-636-00-724-A1

6. PROGRAM (From Federal Catalog)
a. NUMBER: 15.951
b. TITLE: Water Research Institute Program

7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT
State Water Research Institute Program for 1983

8. TYPE OF APPLICANT/RECIPIENT
A-State; B-Interstate; C-Substate District; D-County; E-City; F-School District; G-Special Purpose District; H-Community Action Agency; I-Higher Educational Institution; J-Indian Tribe; K-Other (Specify):
Enter appropriate letter: I

9. TYPE OF ASSISTANCE
A-Basic Grant; B-Insurance; B-Supplemental Grant; E-Other; C-Loan
Enter appropriate letter(s): A

10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.)
Alabama

11. ESTIMATED NUMBER OF PERSONS BENEFITING
NA

12. TYPE OF APPLICATION
A-New; C-Revision; E-Augmentation; B-Renewal; D-Continuation
Enter appropriate letter: A

13. PROPOSED FUNDING

a. FEDERAL	$ 115,000 .00
b. APPLICANT	83,500 .00
c. STATE	.00
d. LOCAL	.00
e. OTHER	.00
f. TOTAL	$ 198,500 .00

14. CONGRESSIONAL DISTRICTS OF:
a. APPLICANT: Third
b. PROJECT: Third

15. PROJECT START DATE (Year month day): 19 82 10 01
16. PROJECT DURATION: 23 Months
17. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY (Year month day): 19 NA

18. TYPE OF CHANGE (For 15c or 15e)
A-Increase Dollars; B-Decrease Dollars; C-Increase Duration; D-Decrease Duration; E-Cancellation; F-Other (Specify): NA
Enter appropriate letter(s):

19. EXISTING FEDERAL IDENTIFICATION NUMBER
NA

20. FEDERAL AGENCY TO RECEIVE REQUEST (Name, City, State, ZIP code)
Washington, D.C. 20240
U.S. Department of the Interior, Office of Water Policy

21. REMARKS ADDED
[X] Yes [ ] No

SECTION II—CERTIFICATION

22. THE APPLICANT CERTIFIES THAT ▶
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.
b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:

	No response	Response attached
(1)	[ ]	[ ]
(2) NA	[ ]	[ ]
(3)	[ ]	[ ]

23. CERTIFYING REPRESENTATIVE
a. TYPED NAME AND TITLE: NA
b. SIGNATURE: NA
c. DATE SIGNED (Year month day): 19 NA

SECTION III—FEDERAL AGENCY ACTION

24. AGENCY NAME
25. APPLICATION RECEIVED (Year month day) 19
26. ORGANIZATIONAL UNIT
27. ADMINISTRATIVE OFFICE
28. FEDERAL APPLICATION IDENTIFICATION
29. ADDRESS
30. FEDERAL GRANT IDENTIFICATION

31. ACTION TAKEN
- [ ] a. AWARDED
- [ ] b. REJECTED
- [ ] c. RETURNED FOR AMENDMENT
- [ ] d. DEFERRED
- [ ] e. WITHDRAWN

32. FUNDING

a. FEDERAL	$ .00
b. APPLICANT	.00
c. STATE	.00
d. LOCAL	.00
e. OTHER	.00
f. TOTAL	$ .00

33. ACTION DATE ▶ (Year month day) 19
34. STARTING DATE (Year month day) 19
35. ENDING DATE (Year month day) 19
36. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number)
37. REMARKS ADDED
[ ] Yes [ ] No

38. FEDERAL AGENCY A-95 ACTION
a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part I, OMB Circular A-95, it has been or is being made.
b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)

SF 424 - Section IV
03/83)

Date Prepared _____

_____ WATER RESEARCH INSTITUTE PROGRAM
State and Year

FINANCIAL ESTIMATE
Direct Costs (Whole $)

Activity & Project NO	Salaries & Wages	Benefits	Travel	Non-Expend. Property	Supplies/Mis. Expenses	Total
Fed $						
(N. Fed $)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
FS						
(NFS)	( )	( )	( )	( )	( )	( )
Total Direct Costs (NFS)	( )	( )	( )	( )	( )	( )
Indirect Costs Based on Audited Rates: _____ % of Direct Costs of						( )
Total Cost					FS (NFS)	( )

FINANCIAL PLAN FOR USE OF GRANT DURING PERFORMANCE PERIOD

Mo/Yr Start _____ Mo/Yr End _____ Duration (Mos) _____

Fed $(1000's)

3 Mo Interval	#1	#2	#3	#4	#5	#6	#7	#8	Total
Director's Office									
R/T & IT Projects									
Total									

SAMPLE

HYPOTHETICAL

SF 424 - Section IV
(03/83)

Date Prepared 05/15/83

WYOMING 1983 WATER RESEARCH INSTITUTE PROGRAM
State and Year

FINANCIAL ESTIMATE
Direct Costs (Whole $)

Activity & Project NO		Salaries & Wages	Benefits	Travel	Non-Expend. Property	Supplies/Mis. Expenses	Total
385401	Fed $	15,000	1,500	2,506	500	500	20,000
	(N. Fed $)	(20,000)	(4,000)	(1,000)	(500)	(1,000)	(26,500)
385402	FS	18,700	3,000	2,000	1,000	300	25,000
	(NFS)	(6,000)	(1,400)	(—)	(—)	(600)	(8,000)
385403	FS	24,350	5,550	2,250	1,850	1,000	35,000
	(NFS)	(8,270)	(2,000)	(550)	(150)	(30)	(11,000)
385404	FS	19,370	4,200	1,500	2,040	340	27,000
	(NFS)	(4,000)	(1,000)	(—)	(—)	(100)	(5,100)
	FS						
	(NFS)	( )	( )	( )	( )	( )	( )
385422	FS	5,200	1,200	—	—	600	7,000
	(NFS)	(1,400)	(400)	(—)	(—)	(800)	(2,600)
	FS						
	(NFS)	( )	( )	( )	( )	( )	( )
	FS						
	(NFS)	( )	( )	( )	( )	( )	( )
	FS						
	(NFS)	( )	( )	( )	( )	( )	( )
	FS						
	(NFS)	( )	( )	( )	( )	( )	( )
Total Direct Costs	FS	82,570	15,450	7,250	5,990	2,740	115,000
	(NFS)	(39,670)	(9,800)	(1,550)	(650)	(2,530)	(53,700)
Indirect Costs Based on Audited Rates:		38 % of Direct Costs of $161,560					(61,393)
Total Cost						FS	115,000
						(NFS)	(114,593)

FINANCIAL PLAN FOR USE OF GRANT DURING PERFORMANCE PERIOD

Mo/Yr Start 10/82 Mo/Yr End 09/84 Duration (Mos) 23

Fed $(1000's)

3 Mo Interval	#1	#2	#3	#4	#5	#6	#7	#8	Total
Director's Office	1	2	6	4	2	2	2	1	20
R/T & IT Projects	—	—	6	14	24	23	23	5	95
Total	1	2	12	18	26	25	25	6	115

(10/1/82) (9/30/83) (09/31/84)

OMB Approval No. 29-R0218

FEDERAL ASSISTANCE

SECTION I—APPLICANT/RECIPIENT DATA

1. TYPE OF ACTION (Mark appropriate box)
- ☐ PREAPPLICATION
- ☐ APPLICATION
- ☐ NOTIFICATION OF INTENT (Opt.)
- ☐ REPORT OF FEDERAL ACTION

2. APPLICANT'S APPLICATION
- a. NUMBER
- b. DATE (Year month day) 19

3. STATE APPLICATION IDENTIFIER
- a. NUMBER
- b. DATE ASSIGNED (Year month day) 19

Leave Blank

4. LEGAL APPLICANT/RECIPIENT
- a. Applicant Name :
- b. Organization Unit :
- c. Street/P.O. Box :
- d. City :
- e. County :
- f. State :
- g. ZIP Code:
- h. Contact Person (Name & telephone No.) :

5. FEDERAL EMPLOYER IDENTIFICATION NO.

6. PROGRAM (From Federal Catalog)
- a. NUMBER | | | • | | | |
- b. TITLE

7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT

8. TYPE OF APPLICANT/RECIPIENT
A–State; B–Interstate; C–Substate District; D–County; E–City; F–School District; G–Special Purpose District; H–Community Action Agency; I– Higher Educational Institution; J– Indian Tribe; K–Other (Specify): _____
Enter appropriate letter ☐

9. TYPE OF ASSISTANCE
A–Basic Grant; B–Supplemental Grant; C–Loan; D–Insurance; E–Other
Enter appropriate letter(s) ☐☐

10. AREA OF PROJECT IMPACT (Names of cities, counties, States, etc.)

11. ESTIMATED NUMBER OF PERSONS BENEFITING

12. TYPE OF APPLICATION
A–New; B–Renewal; C–Revision; D–Continuation; E–Augmentation
Enter appropriate letter ☐

13. PROPOSED FUNDING

a. FEDERAL	$ .00
b. APPLICANT	.00
c. STATE	.00
d. LOCAL	.00
e. OTHER	.00
f. TOTAL	$ .00

14. CONGRESSIONAL DISTRICTS OF:
- a. APPLICANT
- b. PROJECT

15. PROJECT START DATE (Year month day) 19

17. PROJECT DURATION (Months)

18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY (Year month day) 19

18. TYPE OF CHANGE (For 15a or 15c)
E–Increase Dollars; F–Decrease Dollars; G–Increase Duration; H–Decrease Duration; I–Cancellation; J–Other (Specify):
Enter appropriate letter(s) ☐☐

19. EXISTING FEDERAL IDENTIFICATION NUMBER

20. FEDERAL AGENCY TO RECEIVE REQUEST (Name, City, State, ZIP code)

21. REMARKS ADDED ☐ Yes ☐ No

SECTION II—CERTIFICATION

22. THE APPLICANT CERTIFIES THAT ▶
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.

b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouse and all responses are attached:

	No response	Response attached
(1)	☐	☐
(2)	☐	☐
(3)	☐	☐

23. CERTIFYING REPRESENTATIVE
- a. TYPED NAME AND TITLE
- b. SIGNATURE
- c. DATE SIGNED (Year month day) 19

SECTION III—FEDERAL AGENCY ACTION

24. AGENCY NAME

25. APPLICATION RECEIVED (Year month day) 19

26. ORGANIZATIONAL UNIT

27. ADMINISTRATIVE OFFICE

28. FEDERAL APPLICATION IDENTIFICATION

29. ADDRESS

30. FEDERAL GRANT IDENTIFICATION

31. ACTION TAKEN
- ☐ a. AWARDED
- ☐ b. REJECTED
- ☐ c. RETURNED FOR AMENDMENT
- ☐ d. DEFERRED
- ☐ e. WITHDRAWN

32. FUNDING

a. FEDERAL	$ .00
b. APPLICANT	.00
c. STATE	.00
d. LOCAL	.00
e. OTHER	.00
f. TOTAL	$ .00

33. ACTION DATE ▶ (Year month day) 19

34. STARTING DATE (Year month day) 19

35. CONTACT FOR ADDITIONAL INFORMATION (Name and telephone number)

36. ENDING DATE (Year month day) 19

37. REMARKS ADDED ☐ Yes ☐ No

38. FEDERAL AGENCY A-95 ACTION
a. In taking above action, any comments received from clearinghouse were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.

b. FEDERAL AGENCY A-95 OFFICIAL (Name and telephone no.)

Item	
16.	Approximate date project expected to begin (usually associated with estimated date of availability of funding).
17.	Estimated number of months to complete project after Federal funds are available.
18.	Estimated date preapplication/application will be submitted to Federal agency if this project requires clearinghouse review. If review not required, this date would usually be same as date in item 2b.
19.	Existing Federal identification number if this is not a new request and directly relates to a previous Federal action. Otherwise write "NA".
20.	Indicate Federal agency to which this request is addressed. Street address not required, but do use ZIP.
21.	Check appropriate box as to whether Section IV of form contains remarks and/or additional remarks are attached.

APPLICANT PROCEDURES FOR SECTION II

Applicants will always complete items 23a, 23b, and 23c. If clearinghouse review is required, item 22b must be fully completed. An explanation follows for each item:

Item	
22b.	List clearinghouses to which submitted and show in appropriate blocks the status of their responses. For more than three clearinghouses, continue in remarks section. All written comments submitted by or through clearinghouses must be attached.
23a.	Name and title of authorized representative of legal applicant.
23b.	Self explanatory.
23c.	Self explanatory.
Note:	Applicant completes only Sections I and II. Section III is completed by Federal agencies.

FEDERAL AGENCY PROCEDURES FOR SECTION III

If applicant-supplied information in Sections I and II needs no updating or adjustment to fit the final Federal action, the Federal agency will complete Section III only. An explanation for each item follows:

Item	
24.	Executive department or independent agency having program administration responsibility.
25.	Self explanatory.
26.	Primary organizational unit below department level having direct program management responsibility.
27.	Office directly monitoring the program.
28.	Use to identify non-award actions where Federal grant identifier in item 30 is not applicable or will not suffice.
29.	Complete address of administering office shown in item 26.
30.	Use to identify award actions where different from Federal application identifier in item 28.
31.	Self explanatory. Use remarks section to amplify where appropriate.
32.	Amount to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions will be included. If the action is a change in dollar amount of an existing grant (a revision or augmentation), indicate only the amount of change. For decreases, enclose the amount in parentheses. If both basic and supplemental amounts are included, breakout in remarks. For multiple program funding, use totals and show program breakouts in remarks. Item definitions: 32a, amount awarded by Federal Government; 32b, amount applicant will contribute; 32c, amount from State, if applicant is not a State; 32d, amount from local government if applicant is not a local government; 32e, amount from any other sources, explain in remarks.
33.	Date action was taken on this request.
34.	Date funds will become available.
35.	Name and telephone no. of agency person who can provide more information regarding this assistance.
36.	Date after which funds will no longer be available.
37.	Check appropriate box as to whether Section IV of form contains Federal remarks and/or attachment of additional remarks.
38.	For use with A–95 action notices only. Name and telephone of person who can assure that appropriate A–95 action has been taken—If same as person shown in item 35, write "same". If not applicable, write "NA".

Federal Agency Procedures—special considerations

A. *Treasury Circular 1082 compliance.* Federal agency will assure proper completion of Sections I and III. If Section I is being completed by Federal agency, all applicable items must be filled in. Addresses of State Information Reception Agencies (SCIRA's) are provided by Treasury Department to each agency. This form replaces SF 240, which will no longer be used.

B. *OMB Circular A–95 compliance.* Federal agency will assure proper completion of Sections I, II, and III. This form is required for notifying all reviewing clearinghouses of major actions on all programs reviewed under A–95. Addresses of State and areawide clearinghouses are provided by OMB to each agency. Substantive differences between applicant's request and/or clearinghouse recommendations, and the project as finally awarded will be explained in A–95 notifications to clearinghouses.

C. *Special note.* In most, but not all States, the A–95 State clearinghouse and the (TC 1082) SCIRA are the same office. In such cases, the A–95 award notice to the State clearinghouse will fulfill the TC 1082 award notice requirement to the State SCIRA. Duplicate notification should be avoided.

PAY RAISE ABSORPTION

Senator McCLURE. Moving now to departmental direction, program direction and coordination, and policy, budget and administration, I have a number of specific questions that cover these activities.

On page 18 of the justification, you indicate that the Office of the Secretary proposes to absorb partial amounts of the 1983 pay increase through administrative action related to employment, including a delay in filling vacant positions. Does this proposal call for a delay in filling all positions or just positions in certain categories?

Mr. WEST. I'll ask Mr. Gilbert to speak to that.

Mr. GILBERT. Mr. Chairman, those positions which remain vacant will be selective based on the management decision as to where the pain of the absorption can be made without drastically curtailing program activities. Every office will have to share the burden or share a portion of the burden of this absorption. It will affect all offices. Some may share it a little more than others, based on what the level of funds is, how much flexibility they would have in delaying travel or other procurement items related to that part of the year.

Senator McCLURE. If I understand correctly there is no fixed guideline or criteria by which you are making that judgment; it is on a case-by-case basis?

Mr. GILBERT. Yes, Mr. Chairman.

Senator McCLURE. If it is on a case-by-case basis, do you have any idea as to whether or not it will focus primarily upon the management level? Will it focus primarily at those that administer policy rather than formulate policy?

Mr. HITE. Mr. Chairman, if I may field that one.

I don't believe that we have any—or I know that we don't have any—set guidelines, and it would indeed be on a management decision basis. My estimate is that we would attribute spaces and it would impact more on the professional area than the clerical area.

Senator McCLURE. Are you planning a reduction in force anytime during fiscal year 1984?

Mr. HITE. No, sir, we are not.

There have been reductions in force in selecting for specific areas in the field; but during the tenure of this administration, we're proud of the fact that we have created two major mergers with no reductions in force.

Senator McCLURE. Do you have any way of forecasting now how long the vacancies will remain unfilled that result in reductions in total numbers?

Mr. HITE. No, sir.

Senator McCLURE. I'm not referring so much to what you've done in the past, but, rather I'm talking about the planned actions in which you suggest you're going to fill vacancies.

Mr. HITE. Yes, sir. The only reason I go into history is because we have reduced by about 5,000 the total number in the Department through attrition, and we would hope to get by with the minimum number of hires possible commensurate with the the mission.

Senator McCLURE. Is it your expectation that that would be permanent reduction?

Mr. HITE. Yes, sir.

All right, Mr. Gilbert advises me our problem here is to absorb within the available base, and that we would hope to get on an even keel in the next fiscal year with respect to a normal hiring policy. I don't know that that is going to be so, Mr. Chairman, to be very honest with you. I still say that we're going to work within the fiscal constraints that we see as mandatory.

Senator McCLURE. Could you, for the record, indicate by Department agency and bureau where reductions have occurred.

Mr. HITE. Yes, sir. I will supply that.

Senator McCLURE. Please supply that for the record.

[The information follows:]

DEPARTMENT OF THE INTERIOR—COMPARISON OF EMPLOYMENT LEVELS

[Total employment]

Bureau/Office	January 1981	March 1982	March 1983	Change from January 1981	Percent change
Bureau of Land Management[1]	9,318	9,026	8,887	-431	-5
Bureau of Reclamation	8,853	8,194	8,487	-366	-4
Office of Water Research and Technology	82	32	([2])	-82	-100
Fish and Wildlife Service	7,454	6,622	6,562	-892	-12
National Park Service[1]	14,428	14,055	14,608	+180	+1
U.S. Geological Survey[1]	11,507	10,650	10,788	-719	-6
Minerals Management Service[1]	3,020	2,809	2,728	-292	-10
Bureau of Mines	3,034	2,840	2,769	-265	-9
Office of Surface Mining	1,048	708	795	-253	-24
Bureau of Indian Affairs	17,991	16,362	16,056	-1,935	-11
Territorial and International Affairs[1]	83	73	61	-22	-27
Office of the Solicitor	462	373	362	-100	-22
Office of Inspector General[1]	244	275	279	+35	+14
Office of the Secretary[1]	1,268	1,093	1,070	-198	-16
Total	78,792	73,112	73,452	-5,340	-7

[1] The employment totals for these bureaus and offices for January 1981 and March 1982 have been adjusted to reflect transfers of functions and personnel so that the totals for all months are comparable.

[2] Disestablished during September 1982.

NUMBER OF 1984 WORKDAYS

Senator McCLURE. Let me focus on one that isn't very big but it is there, nevertheless.

Because there is one less workday during fiscal year 1984, nearly every agency except the National Park Service and the Office of the Secretary has a reduction proposed in their base level funding. The reason given why the Park Service should not have the 1-day reduction is that the additional 1 leap-year day occurs on a weekend and most parks remain open on weekends. Does this imply that the Office of the Secretary does not have to accept this reduction base because it would be open that same weekend?

Mr. WEST. I'll let Mr. Gilbert answer that question, Mr. Chairman.

Mr. GILBERT. Mr. Chairman, from a technical standpoint we are not using the same method that most bureaus in the Department are using. In preparing the budget estimates we used a standard work-year of 260 days, or an annual work-year of 260 days, and did not take into account the variance from one year that has 261 days to one year that has 260 days.

Senator MCCLURE. Why is the Office of the Secretary treated differently than everybody else that works for you?

Mr. GILBERT. I don't think we are treated differently. I think we made an error in our deliberations on preparing the budgets. We are taking steps to assure that, for the 1985 justification, we prepare the budget on a workday basis.

Senator MCCLURE. That's not a leap year.

Mr. GILBERT. Well, in 1985 there will be 261 workdays.

Senator MCCLURE. We'll find out by 1988 whether you've made the change.

Mr. GILBERT. Mr. Chairman, we prepared the budget for 260 days in 1983, so we don't have a reduction proposed in 1984. That is our error in preparation.

Senator MCCLURE. With some people moving.

Mr. GILBERT. We've been informed by the Department to prepare the budget this way next year also.

OFFICE OF INSPECTOR GENERAL

Senator MCCLURE. Turning now to the Office of the Inspector General, you were given additional funding in fiscal year 1983 to conduct a number of look-back audits of the 25 largest oil and gas companies that pay about 85 percent of the total onshore royalties received by the Federal Government. What is the status of those audits?

Mr. MULBERRY. Mr. Chairman, we have completed six of those audits. We have 8 underway at the moment, and we will have contracted or be doing the remaining 11 by the end of this current fiscal year.

In addition, we have completed 3 of the second 25 audits and 1 is currently underway.

Senator MCCLURE. Why is it taking so long to get started? My understanding was the request was enough to get all of those audits underway; and as I understand, you've got 14 started and 11 haven't even started yet.

Mr. MULBERRY. Yes, sir. We have about $7 million designated to do those 11 audits.

Senator MCCLURE. You mean the money you requested wasn't enough and until you get more money you can't do it?

Mr. MULBERRY. No; the requests were sequenced to do them in a prudent way. There was no way that I could oversee 25 audits simultaneously. We don't have sufficient experienced staff. I am building the expertise, because subsequent to the time we complete the 25 we'll be in an ongoing program and we'll be doing those audits ourselves.

Senator McCLURE. As I understand it, you are contracting a number of these audits.

Mr. MULBERRY. Yes, sir.

Senator McCLURE. How many of the original 14 are contracted?

Mr. MULBERRY. My own people did four of the original six, and MMS is doing one of the current eight. Of the 14, 9 were contracted. Of the final 11 we will do 1; that is my own staff, and the MMS staff assisted by my staff will do 1. So, we'll contract for nine more.

Senator McCLURE. And you'll have as much supervision of the contracts as you would if you did the audits internally?

Mr. MULBERRY. No; not by any stretch of the imagination.

Senator McCLURE. But you still don't have enough to supervise even the contracts?

Mr. MULBERRY. We do now but we could not have done it by contracting all 25 simultaneously. It was physically impossible.

Senator McCLURE. You've indicated six are complete——

Mr. MULBERRY. Yes, sir.

Senator McCLURE [continuing]. And eight are underway. When will they be finished?

Mr. MULBERRY. By the end of this calendar year, this entire group.

Senator McCLURE. And the 11 you hope to get started by the end of this fiscal year, when will they be completed?

Mr. MULBERRY. I hope by the end of next year.

Senator McCLURE. In general, what do these audits tell us with respect to the collection of royalties from these companies?

Mr. MULBERRY. There have been some underpayments, Mr. Chairman. None that we have surfaced were intentional underpayments except for the way they interpreted the very complex rules in calculating the price of gas and the allowances. It is very complex. We are still waiting for some management decisions on certain situations.

Senator McCLURE. Have you any recommendation as yet with respect to problems that are brought out by these audits and recommendations as to corrections?

Mr. MULBERRY. Yes, sir. We have made a number of recommendations in our audit reports.

Senator McCLURE. Have those been implemented by the lead agency?

Mr. MULBERRY. I don't know that they all have, but I'll supply for the record the recommendations and the implementation of those recommendations.

[The information follows:]

ROYALTY AUDIT QUESTIONS

OIG royalty audits identified complex legal and interpretive issues which were referred to MMS for resolution. In such instances, based on its determination, MMS may assess additional royalties. In response to an OIG recommendation, MMS is establishing audit residencies at Texaco and Exxon to pursue the royalty payment problems to a final resolution and to determine if surfaced problems extend to other leases and other time periods. As a result of these additional analyses, total underpayments may be significantly higher than the amounts specifically identified in the reports.

The major problem areas identified by these audits are summarized as follows:

FERC Order 93 and 93-A.—According to FERC Order 93, the intent of the Natural Gas Policy Act of 1978 (NGPA) is that the value of natural gas is to be based on the "as delivered" Btu specification of gas sales contracts. According to FERC Order 93-A, the implementation date of FERC Order 93 was to be December 1, 1978, the effective date of the NGPA. The issue from the lessees' standpoint is to remit royalties based on payments received from purchasers under these orders. There are numerous purchasers who because of ongoing legal proceedings will not pay under these orders. MMS has taken the position that royalties are due based on these orders and has directed royalty payers to recompute and remit the additional royalties due.

Incorrect pricing of oil and gas.—This area involves two situations: (1) where the royalty payer used the wrong price for valuing production, and (2) where the lessee/producer was using the product in its own integrated operations and there was no market price to establish the royalty value. In the latter case, MMS determined a valuation basis and assessed additional royalties after OIG disclosed the problem.

FPC opinion 669-H.—Pricing provisions contained in the Federal Power Commission Opinion 669-H were not properly implemented by producer-pipeline companies, resulting in the underpayment of royalties.

Incorrect manufacturing allowances.—Royalty payers failed to implement the manufacturing allowances approved by MMS and failed to make the retroactive adjustments required by MMS.

All of these complex legal and interpretive issues have been communicated to MMS by memoranda or via audit recommendations to take the necessary actions to collect the royalties due. The whole issue of valuation for royalty purposes is being pursued by MMS which is preparing new guidelines and royalty regulations.

On November 29, 1982, MMS published its guidelines and royalty regulations for oil in the Federal Register. The natural gas guidelines and royalty regulations are currently being revised based on recent decisions by the Secretary of the Interior and should be ready for publication by the end of May 1983.

TRANSFER OF COMPTROLLERS FUNCTION

Senator McCLURE. As a result of legislation passed during 1982, the Federal comptrollers within the Office of Territorial and International Affairs were transferred to the control of the Inspector General. In passing the 1983 Interior and Related Agencies Appropriations Act, the Congress included a provision making $2,600,000 available to operate the comptroller offices for Guam, American Samoa, the Northern Marianas, the Virgin Islands and the Trust Territory of the Pacific Islands. Are these offices still being operated?

Mr. MULBERRY. Yes, sir, better than they were before. We are increasing the number of auditors that are located there. We had 54 positions transferred to our office; 38 of them were filled. We changed the leadership in every office and will assign three investigators, two in Guam and one in the Virgin Islands.

Senator McCLURE. Have the comptrollers been moved? Have you rotated the comptrollers out of the offices in which they were serving before?

Mr. MULBERRY. Yes, sir.

Senator McCLURE. In every instance?

Mr. MULBERRY. Only one comptroller job was filled at the time of the transfer, the others were either vacant or someone was acting.

Senator McCLURE. Have any of the offices been closed?

Mr. MULBERRY. No, sir.

Senator MCCLURE. They are all open?

Mr. MULBERRY. They are all open.

I may change the size of the Saipan office; maybe keep two people there, because it's where the High Commission is. But, you see, covering all of those northern islands—it's a vast territory, as you know—they have to travel back to Guam in order to get to the other islands if they're located on Saipan. So, we'll leave a nucleus in Saipan, but most of the people will be in the Guam office. In total, the Northern Pacific will have as many auditors—more than—they had before, so I'll have better coverage.

Senator MCCLURE. Would you care to look to the Interior Appropriations Act for 1983 to determine your authority for the closure of offices?

Mr. MULBERRY. I'm not going to close the office, I'm going to leave at least two people in that office.

Senator MCCLURE. Oh, you'd leave two there and transfer——

Mr. MULBERRY. Yes.

Senator MCCLURE. I see.

Your office recently completed a comprehensive financial audit of American Samoa. Are you also conducting similar audits of the other flag and trust territories?

Mr. MULBERRY. We have one underway in the Marshall Islands. We get limited cooperation from those people.

Senator MCCLURE. When do you expect the one from the Marshalls to be completed?

Mr. MULBERRY. Pardon me?

Senator MCCLURE. When do you expect the one in the Marshalls to be completed?

Mr. MULBERRY. Mr. Chairman, I couldn't give you a target date because we just started about 10 days ago.

Senator MCCLURE. You have plans to do some audits in other areas?

Mr. MULBERRY. Yes; but the other two major ones are Guam and the U.S. Virgin Islands. We have regional offices there. But I don't know that we'll do overall comprehensive audits.

Senator MCCLURE. It would not be of the same nature that you've done in American Samoa and that you're doing in the Marshalls; is that correct?

Mr. MULBERRY. That's correct, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Gentlemen, I want to thank you very much. We have a number of other questions to be submitted for the record. I appreciate your testimony this afternoon. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Office of Inspector General

Question. With respect to continuing audits, what specifically remains to be done for which you are requesting 1984 appropriations.

Answer. During fiscal year 1984, the Office of Inspector General will continue to work on royalty audits. Specific work which remains to be done is as follows:

1. Seven contract audits which are significantly along in progress, will require 5 staff-years of work to conclude the technical oversight and issue the final reports.

2. Ten contract audits will require 13 staff-years of technical oversight work. These contracts will be awarded during the fourth quarter of fiscal year 1983 and are expected to continue during all of fiscal year 1984.

3. Two audits in-process which are being done by OIG staff are expected to require 3 staff-years of detailed audit work to conclude the audits and issue the final reports during fiscal year 1984.

4. OIG in pursuit of completing its royalty audit strategy plans to start four audits during fiscal year 1984. These audits are expected to require 10 staff-years of detailed audit work during fiscal year 1984.

Question. You indicate on page 11 of your justification that detailed work plans for fiscal year 1984 had not been made as of the time the justification went to press. Have you since established your work plan: If so please provide it for the record. If not, when do you expect to have it completed and available for review?

Answer. The work plan for fiscal year 1984 is scheduled for completion the second week in September and should be available for review about a week after that date.

Our annual audit planning process consists of an ongoing, detailed analysis of recurring and other audit requirements; such as contract and grant work, the single audit concept and royalty management reviews. An audit history file is maintained of auditable entities that includes information on previous OIG, GAO, and other studies and reviews. We conduct continuing evaluations of significant programs, functions, and organizations in our inventory to assess their vulnerability to fraud, waste, and mismanagement. This process provides us with a solid base of data to use in selecting the most effective audit plan.

Each year we provide top level managers with the opportunity of requesting that specific reviews be conducted. Also, our own audit staff makes audit suggestions based on their knowledge and experience. The detailed process begins in April when we formally request audit suggestions and lasts until mid-September when the Inspector General reviews and approves a final product which addresses the most significant audit requirements and matches them with our staff and funding resources for the fiscal year.

Question. Also included in the 1983 bill, was a provision requiring the Inspector General to certify quarterly to the appropriate committees of Congress on the faithful execution of laws administered by the Department. For 1984, you have proposed that this provision be dropped. Why have you so proposed to drop this provision?

Answer. The provision that the Inspector General shall certify quarterly on the faithful execution of laws administered by the Department should be omitted as it is virtually impossible for the Inspector General to comply with the provision. Staffing and fiscal limitations preclude the extensive review needed to provide such a certification. We do not believe that such a certification would be practical in terms of cost versus benefit. For example, to maintain a 3-year audit cycle for the approximately 4,700 auditable entities within the Department, it would require an audit staff of 930 just to determine if transactions were executed in accordance with generally accepted accounting principals. To obtain the degree of confidence necessary to certify quarterly would require reviews to be conducted at least annually. Such an approach is impractical. Instead, we direct our resources to the areas with the greatest potential for savings and/or to the areas deemed to be highly vulnerable.

Question. Have you determined what it would cost and how many people it would take to properly respond to this provision of law?

Answer. We do not have a reasonable estimate of the staff and resources required to provide a comprehensive certification.

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Question. Have you made any effort to work on such a report for either the second or third quarters of fiscal year 1983?

Answer. At the end of the second quarter of 1983, we sent the following statement to the appropriate committees.

"Office of Inspector General (OIG) auditors and investigators review compliance with the law as a step in the audit or investigative process. If OIG personnel identify activities which appear to violate the law, such matters are reported to appropriate officials for resolution. Such referrals may be directed to appropriate prosecutors, Department management or the Congress depending on the nature of the matter being reported. To the best of my knowledge, violations reported by OIG personnel are prosecuted or otherwise resolved in compliance with the law. Accordingly, to the best of my knowledge, the laws administered by the Department are being faithfully executed."

Question. Have you contacted all the appropriate committees of Congress to discuss the difficulty this provision presents to you?

Answer. Yes; we have talked to representatives of both the House and Senate Interior Appropriations Committees to explain our position and the problems which exit in trying to comply with the provision.

OFFICE OF WATER POLICY

Question: In your opinion, Mr. West, what is the difference between this water research and the miscellaneous mining and geologic research conducted by Interior that would cause you to request funds for one but not for the other?

Answer: In both water research and mining and geologic research, we are seeking funding for those research areas in which a legitimate Federal role exists. We believe the Federal government should not continue to fund research areas that have the potential for adequate support from other sources. For this reason, we have not sought funding for either the minerals Institute program or the water Institute program.

Question: While the Congress has consistently offered strong support for the Institute program, there nevertheless are nagging problems with the program that remain to be addressed. Principal among these are the problems of overlap of research and the belief that providing grants to all of the 54 institutes tends to spread limited available funds too far to do much good. In response to earlier Congressional directives to review these matters, what specific solutions can the Department now offer to resolve both of these problems and thus strengthen the program?

Answer: Several changes in the Institute program should reduce the two problems addressed:

- Each institute is now required to focus its research on critical regional water problems described in regional plans they prepared jointly in 1980. Regional peer review with OWP participation will reduce duplicative studies by separate institutes on related problems.

- The amount of Federal funding available for research administration is now limited to $20,000 per institute. This limitation will direct more Federal funds into actual research, thus reducing the problem of overextension of research funds.

- Institutes are now required to include understandable synopses with each project report, which will make it easier for policy officials in government to understand practical implications of research findings. In addition, closer collaboration between institutes and State governments is now being strongly encouraged. These changes will enable State government officials to exert more positive control over redundant and unneeded research projects.

In addition, we had given consideration to more stringent non-Federal cost-sharing in FY 83 within our present authority, but did not pursue this avenue because of opposition expressed by congressional staff and others. This could have reduced the number of institutes, since some may have opted not to participate in the program under these conditions.

This would have strengthened the program by focusing the available funding to those States in which serious non-Federal financial commitments to water research exist.

Bureau of Reclamation Water Research

Question: As I mentioned earlier, the Congress provided $6 million for saline and brackish water use, water reuse, membrane technology, and other similar research to be conducted through the Bureau of Reclamation. What research in this regard is in fact underway? For the record, please provide a specific breakdown of all such research being conducted, and include a description of the work, who is conducting the research, where it is being done, when it will be completed, what the research is expected to show, and the dollar amount associated with each.

Answer: At the present time, there are only a few, active Bureau of Reclamation projects in these specific water research areas. These are research projects funded in prior fiscal years which were transferred to the Bureau of Reclamation from the former Office of Water Research and Technology and which are now in the final stages of completion.

The level of research activity in these areas by the Bureau will be increased considerably in fiscal year 1983 by the $6 million provided by the Congress for this purpose. The fiscal year 1983 program will cover water-related national needs over a broad range of categories as described in the Water Research and Development Act of 1978, Public Law 95-467, 42 U.S.C. 7816. The program will be conducted mainly through contracts and grants with universities and private and public organizations throughout the United States.

An announcement dated March 18, 1983, was issued by the Bureau calling for submittal of research and development proposals in five major research areas. A copy of this announcement is attached. Proposals are currently being received in response to this announcement and are undergoing evaluation.

In addition to the $6,000,000 provided by the Congress for fiscal year 1983, there was $1,652,397 in fiscal year 1982 carryover funds which expire on September 30, 1983, and $25,602 of no-year funds making a total of $7,677,999 available for fiscal year 1983. The funds have been allocated among major research categories as follows:

Category	Carryover Funds	FY-83 Appropriation	Total Funds
	(thousand dollars)		
Water Reuse	165	1,285	1,450
Groundwater Management	-	1,000	1,000
Brackish Water Utilization	-	500	500
Water Conservation and Use Efficiency	-	500	500
Saline Water Conversion	1,440	988	2,428
Saline Water Project Closeout	-	650 1/	650
Technology Transfer	73	77	150
Program Administration	-	1,000	1,000
Total	1,678	6,000	7,678

1/ Funds set aside for close out of terminated saline water conversion projects such as the need to dispose of the VTE/MSF distillation module at Orange County, California and restore the site to its original condition.

Budget Reduction for Water Research

Question: The Bureau of Reclamation has proposed a reduction of $7 million, forty thousand dollars in their General Investigations account. Does any of that reduction include funds for the type of research we transferred to the Bureau in the 1983 Appropriations Act? If so, why are you proposing such a reduction? Aren't this nation's water supply problems of significant enough importance that we should be sponsoring Federal research particularly in such areas as water reuse and brackish water use? If the Federal government does not assist in this research effort, don't we stand the risk of finding ourselves in potentially catastrophic regional water shortages in the very near future?

Answer: We show a reduction of $7.2 million in our General Investigations National Water Research Program for fiscal year 1984. This reduction is largely based on not conducting additional water resources research in fiscal year 1984 of the type for which the $6.0 million was transferred to the Bureau in the 1983 Appropriations Act.

The reason for not providing continued program support in fiscal year 1984 for this type of research is that the principal benefactors of this research, the States and industry, have the responsibility to finance the research needed in connection with their water resources management or planning roles.

Throughout history, this program has only been a minor part of Federally funded water research. Federal salinity research sponsored by this program has progressed to the point that private sector alternatives are now feasible without direct federal support. The more productive institutes have been able to generate substantial funding from other sources and are no longer dependent on funds which would be provided by this legislation.

Federal funds have been used over the past 20 years to stimulate this type of research among States and industry to solve common problems. During this period the States have acquired much information useful in water planning, policy making and management. The time has come, however, for States and industry to now take the lead responsibility for financing the research that will benefit them.

STANDARD LEVEL USER CHARGES

The Department has proposed an increase of standard level user charges for every agency for 1984, and this new level is based on the General Service Administration's Fair Annual Rental appraisal.

Question: Does the Department have any input in this FAR appraisal process?

Answer: No. The Department does not participate in this process.

Question: Do you ever disagree with GSA on either their methods or results of these appraisals?

Answer: During the initial stages of the SLUC establishment we voiced our objections and exceptions to some of the rates.

Question: Is there anything you can do to get GSA to change its mind if you did disagree?

Answer: Yes. FPMR 101-21.606 Reviews and Appeals sets forth the formal appeals procedures that agencies may follow. Due to the lengthy and complex procedures associated with the appraisal of

real property coupled with a lack of expertise within the agency, SLUC rates have rarely if ever been appealed.

FIELD REPRESENTATION

Question: How many people are assigned to the Secretary's Field Coordination Office in Denver and what is the funding level associated with this effort?

Answer: There are currently 2 workyears of effort and approximately $100,000 associated with this function. This includes salary and benefits and limited travel expenses to provide for a lone Field Representative and one secretarial support workyear. Current plans are to relocate this office, with the same number of personnel, to San Francisco by early summer 1983.

Question: Given the fact that the Department has field offices throughout the United States, why is it necessary for the Secretary to maintain a field office?

Answer: This function serves as an extension of the Secretary's Immediate Office to represent the policies of the Department at a Departmental level, primarily in the West. The bureaus have field offices throughout the country. There is only one Secretarial Field Representative.

In this capacity, this function is representative of, and speaks for and with the authority of the Secretary in dealing with the Western governors and the public on various issues pertaining to their particular area for which the Department has jurisdiction.

Question: In terms of departmental coordination, what effect can just a few people with very limited financial resources possibly have?

Answer: The primary benefit of maintaining this function is that it does provide for departmental direction and coordination in that Secretarial representation is provided on matters that often cross-cut more than one bureau's area of responsibility. In this sense this function takes the lead in coordinating such matters with the bureaus. This office works to assist in the exchange of ideas and policies between the Secretary and state or local governments.

EXECUTIVE SECRETARIAT

According to the justification, the Executive Secretariat is responsible for the control and processing of all correspondence of the Secretary and Under Secretary.

Question: Am I correct that this office distributes such mail to the various agencies for the drafting of the appropriate response?

Answer: The Executive Secretariat is responsible for the administration of substantive communications directed to the Secretary and Under Secretary from the White House, State and local

governments, Federal Agencies, the public and Departmental officials. Congressional mail is the responsibility of the Office of Congressional and Legislative Affairs.

The Executive Secretariat reviews incoming correspondence to determine the nature of the action required, its significance and/or implications, the proper Bureau/Bureaus involved and assigns an appropriate due date. The correspondence requiring signature by the Secretary or Under Secretary is then controlled to the appropriate Bureau for preparation of the response.

Question: How long does it take the average letter to go through the process from the time of receipt to the time the return correspondence is mailed?

Answer: The average response time is between three and four weeks, depending on the complexity of the issue.

Question: Approximately how many letters per month get lost - and thus never answered - in this system?

Answer: None. All controlled mail is tracked continuously from the time it arrives until it is signed.

Question: Who determines which letters are actually seen by the Secretary and Under Secretary, and who determines the priorities in terms of responding to the Secretary's mail?

Answer: The Executive Secretariat is responsible for forwarding mail directly to the Secretary or Under Secretary based on instructions issued from their respective offices.

CONGRESSIONAL AND LEGISLATIVE AFFAIRS

Question: You have reported on pages 26 and 33 of the justification that the Office of Congressional and Legislative Affairs only receives over 100,000 calls per year while Public Affairs only receives slightly over 60,000 such calls. How can 535 Members of Congress and their staffs generate almost twice the number of calls than those coming from the rest of the country? Does Congressional Affairs keep actual statistics on its incoming calls or are the statistics based on a sampling; when are these samplings taken?

Answer: The estimate of calls reported on page 26 of the budget justification was not limited to calls from Members of Congress and their staffs, but also other incoming calls handled by our office. The estimate included calls from White House staffs, OMB, other Departments, and other bureaus and offices within the Department. The internal calls were often responding to requests from our office regarding telephonic congressional inquiries, hearings schedules, committees looking for information about pieces of legislation, witnesses for hearings, reports to Congress, discussions with bureaus regarding input for hearing statements, Congressional mail, contract and press release information. In addition, because of the close working relationship our office has with the Secretary's Immediate Office, we receive calls from members of the private sector seeking meetings with the Secretary

or his immediate staff or requesting the Secretary's appearance at scheduled events. We also receive calls directly from the public inquiring about various Departmental programs; as well as calls from the news media.

The Office of Congressional and Legislative Affairs does not keep actual daily statistics on its incoming calls. The statistical figures submitted for budget justifications are based on a two-week sampling. The survey is conducted for budget and management purposes and is generally taken in the spring of each year. The survey conducted last spring for the 1984 budget submission was incomplete. The estimates reported were based on surveys taken for previous years' submissions. The Office is currently reviewing the estimated number of incoming calls and hopes to arrive at a more accurate estimate for our forthcoming budget submissions. The new estimates will be made available to the Committee upon completion of the survey.

PUBLIC AFFAIRS ACTIVITIES

Question: For the record, please provide the number of press releases, publications, radio and television recordings, and press conferences planned to be conducted during fiscal year 1984. Also, please include these same estimated activities for fiscal year 1982 and 1983.

Answer: We are unable to provide a count on the number of press releases to be issued by the Department during Fiscal Year 1984, the releases follow the flow of events, they are not scheduled in an office themselves. The Office of Public Affairs currently has no plans to issue any new publications in FY 1984.

During Fiscal Year 1982, the Department (Bureaus included) produced 460 press releases, 56 new publications, 2 radio actualities, 6 television recordings and zero press conferences (numerous press availabilities were arranged during travel by Department officials).

During Fiscal Year 1983, the Department (Bureaus included) has produced 160 press releases, 11 new publications, 2 radio actualities, 1 television recording and 3 press conferences to date. Also, during travel by Department officials, press availability sessions will continue to be arranged.

EQUAL OPPORTUNITY

Question: How does the Office for Equal Opportunity coordinate and relate its activities with the activities of the various other agencies within the Department?

Answer: The Office for Equal Opportunity coordinates and relates its activities with the various major operating components within the Department by promulgating policy and providing directions for implementation at the major operating component (MOC) levels, i.e., the ten bureau/office equal opportunity programs. The MOC programs are primarily

responsible for the "operational" as opposed to "policy" aspects of equal opportunity. Each of the ten "operational" programs provide day-to-day servicing for their subordinate components.

To coordinate activities a council comprised of Equal Opportunity program directors was established in Fiscal Year 1982. This council meets as necessary but no less than bi-monthly to discuss policy, program and procedures. In addition, programs, policies, and procedures are coordinated through the following:

1) Consulting in the area of personnel and labor management relations for purposes of exchanging information sharing expertise. These exchanges occur on a regular basis through meetings, conferences, telephone conversations, etc.

2) Providing technical guidance or assistance within functional areas of responsibility upon request.

3) Serving as resource persons for various training and development programs sponsored by Major Operating Components throughout the Department.

4) Sponsoring technical guidance sessions on a periodic basis for the benefit of Major Operating Components.

5) Exchanging of information, both formally and informally, via briefings, memoranda, etc., regarding new policies, procedures and developments which have an interdisciplinary effect.

6) Monitoring progress through periodic reports and audits and evaluations.

POLICY DIRECTIVES ON CIVIL RIGHTS ENHANCEMENTS

Question: During fiscal year 1982, you indicate that you issued 20 policy directives concerning civil rights enhancement, and you expect that number to jump to 30 in 1983 and 40 in 1984. Can you briefly describe examples of the kinds of directives you are talking about here and then provide a list of such directives for the records?

Answer: Policy directives are issued through a series of Equal Opportunity Directives. These directives are the means by which lead agency rules and regulations and court precedents are adapted to the Department's needs and problems, and transmitted to our major operating components (bureaus). An increase in the number of directives issued by the Office for Equal Opportunity is anticipated due to an emphasis on the development of policies related to the area of civil rights protection. This derives from increased

efforts to streamline complaint processing procedures. These factors will facilitate the dissemination of directives which will: (1) provide policy interpretations and guidance transmitted by our lead agency or as developed internally; (2) directly implement substantive and procedural improvements within our area of responsibility and (3) introduce precedent setting cases affecting the adjudication of complaints of discrimination, previously unanswered questions and/or providing insight into areas of concern. Equal Opportunity Directives address such areas as: microfiche reports from the Equal Opportunity Information System; evaluation procedures for equal employment opportunity program performance standards; discrimination complaint processing. A complete listing of all Equal Opportunity Directives issued in Fiscal Year 1982 and those issued to date in Fiscal Year 1983 and a copy of each are attached.

EQUAL OPPORTUNITY EVALUATION ACTIVITIES

Question: During 1982, Equal Opportunity produced one systemic barrier study, conducted five on-site evaluations and five audits, and participated in one evaluation led by major operating components and one evaluation conducted by the lead agency. Briefly now and in detail for the record, what were the results associated with each of these activities?

Answer: The systemic barrier study provided that the Department would carefully monitor progress in removing barriers to the recruitment and hiring of minorities and women for each targeted occupation as well as the overall employment profile as a whole. Of the approximately 505 occupational series in the Department, 250 were targeted for action. Since hiring occurs at the major operating component level, it was at this level that full-scale action plans were developed for Fiscal Years 1982-86. Major operating components were encouraged to supplement these plans with more specific recruitment and staffing strategies at the regional or subordinate component levels.

The systemic barrier study further provided for refinement of the Department's Equal Opportunity Information System which would make possible the generation of employment profiles at levels below that of the major operating component. With the generation of this more specific data, each major operating component will be able to implement a comprehensive action planning system at the regional or subordinate component level.

In addition to permitting its major operating components to select their own targeted series', the Department designated three occupational series' for special oversight department-wide during Fiscal Years 1982-86: engineering, park managment, and administrative officer. Each major operating component was required to target the foregoing series' in addition to their own for special consideration in their action plans.

The engineering series was targeted due to its size in the Department; degree of underrepresentation (nearly 90% non-minority male in practically all categories); and opportunity for hire.

The park management series was chosen due to its size; degree of underrepresentation (90% male, 92% non-minority); and managerial impact upon the National Park Service, a major operating component of the Department.

The administrative officer series was chosen due to the underrepresentation of minorities at all levels throughout the Department; underrepresentation of women at higher levels throughout the Department; and the considerable number of discrimination complaints filed by employees in that series.

The five on-site evaluations provided a systematic review of the functional operation and implementation of the Equal Opportunity Program at selected primary field locations of three major operating components. Problem areas were identified and analyzed and required actions were directed where necessary to assure compliance with statutes and regulations. Recommendations to enhance the management and program delivery of the Equal Opportunity Programs were also provided where relevant. The results were a better-managed, cost/resource-effective Equal Opportunity Program which met the requirements of applicable laws and regulations.

The five audits provided for a desk review of the operation and implementation of the Equal Opportunity Program at selected primary field and headquarters locations of five major operating components. As with the on-site evaluations, problem areas were identified and analyzed and required actions directed where necessary to assure compliance with statutes and regulations. Recommendations to enhance the management and program delivery of the Equal Opportunity Program were also provided where relevant. Overall results are a better-managed, cost/resource-effective Equal Opportunity Program which better meets the requirements of applicable laws and regulations.

The participation by Office for Equal Opportunity staff in an evaluation led by a major operating component provided for practical exchange of ideas, methods, and procedures between the Department and a major operating component. The results included, in addition to enhanced Department inter-bureau cooperation, improvement and enhancement of field evaluation and reporting methodology.

The participation in one evaluation conducted by the lead agency (Equal Employment Opportunity Commission) provided the Department with an insight into the lead agency's procedures, methods, and goals in conducting evaluations. This was extremely useful in alerting the Department to the area and details which constitute a priority for the lead agency. The lead agency also benefitted by exposure to the Department's mission, procedures and philosophy.

CULTURAL AWARENESS PROGRAMS

Question: For the record, please provide a specific list of the cultural awareness programs or activities planned for 1983 and 1984 in recognition of Black History Month, Hispanic Heritage Week, Women's Week, Native American Week. Asian-Pacific Islander Week and indicate the dollar amount associated with each?

Answer: For 1983 and 1984 the Office for Equal Opportunity will present or has presented an educational program commemorating Black History Month, Hispanic Heritage Week, Women's Week, American Indian Week and Asian and Pacific Islander Heritage Week. The programs are held in the Interior auditorium and each generally consists of greetings by a secretarial officer, a keynote address from a prominent personality on the theme of the specific observance, and a brief cultural rendition relevant to the observance. The dollar amount for the above observance will be comparable in Fiscal Years 1983 and 1984. A break down for each follows:

Women's Awareness Week
(Held On - 10/19/82)

Photo Services	$100.00
Posters Flyers	25.00
Memo to Employees	7.00
Programs	23.00
Auditorium Stage Setup	53.00
	$208.00

Black History Program
(Held On - 2/24/83)

Photo Services	$100.00
Memo to Employees	97.50
Presentation by Howard University Fine Arts Dept.	150.00
Auditorium Stage Setup	53.00
	$433.00

American Indian Day Program
(Planning For - 5/13/83)

Cost for program will be incurred by the Department and Bureau of Indian Affairs.
Estimated Departmental cost $250.00

Asian and Pacific Islander Heritage Week
(Planned For - 6/83)

Photo Services
Posters/Flyers
Memo to Employees
Programs
Auditiorium Stage Setup
Estimated Cost $300.00

Hispanic Heritage Week Program
(Planned For - 6/83)

Photo Services
Posters/Flyers
Memo to Employees
Programs
Auditiorium Stage Setup
Estimated Cost $300.00

Appreciation Certificate for Cultural
Awareness Program Participants $50.50

Overall projected Cost $1,551.50

DISCRIMINATION COMPLAINTS PROCESSING

Question: In an effort to keep on top of the ever-expanding number of discrimination complaints made in the Department, you recently developed and implemented an automated case tracking system. While this system has indeed apparently helped to increase the number of cases you close per year, you are nevertheless not making much—if any ground in closing cases relative to your total workload. In fact, this rate has varied from a high of 29.6 percent in 1980 to a low of 16.2 percent in 1979, with the 1984 projection standing at 27.6 percent. What else are you doing in order to achieve a higher case-closed rate relative to the total workload? One of the problems in this regard apparently stems from the fact that it takes an average of 650 days to process a complaint to closure. Why does it take so long to process these complaints and what is being done to shorten this time?

Answer: The automated case tracking system is not scheduled for implementation until Fiscal Year 1984. In Fiscal Year 1982, the system design was developed and completed and an improved manual tracking system was implemented. By the end of the first quarter of Fiscal Year 1984, the requisite modifications to current operational procedures will be established. The system design will be fully implemented when approved funding becomes available in Fiscal Year 1984.

Based on the figures displayed in the budget justification, the rate of discrimination complaint closure from 1978 through 1984 is as follows:

Year (a)	Case Load (b)	Cases Closed (c)	Closure Rate (d = C/B %)
1978	355	80	23.9
1979	431	70	16.2
1980	574	170	29.6
1981	637	180	28.3
1982	689	119	17.3
1983	811	180	22.2
1984	903	250	27.7

The relatively low rate of closure in Fiscal Year 1982 has been traced primarily to the inadequacy of the manual information management system in coping with the ever increasing case and correspondence load. A reversal of the direction of the case closure rate will be realized with improved information and case management in Fiscal Year 1983 and the full implementation of the automated case tracking system in Fiscal Year 1984.

As reported by the U.S. General Accounting Office to the House of Representatives on April 7, 1983, the lengthy complaint processing period is a problem which is pervasive throughout the Federal Government. The report suggests that lengthy processing time can be attributed to the regulatory provisions governing the processing of complaints.

These provisions prevent expedited processing because of the various options and alternatives available to complainants, such as the request for a hearing by Equal Employment Opportunity Commission. As a result, there have been recommendations and alternatives to review the entire system.

Lengthy processing time within the Department of the Interior is affected by numerous extraneous factors such as:

1) Geographic dispersion of employees.

2) Decentralization of the Equal Opportunity function, by necessity, due to the organizational structure of the Department which mandates that field and regional offices must be involved in the informal adjustment of complaints and direct these through appropriate channels.

3) Percentage reduction in the Full-Time Employee (FTE) allocations.

4) Disparity in the levels of technical expertise with regard to available personnel resources.

5) Constant intervention of the completion of priority items which requires shifting resources away from total performance of adjudicatory functions (i.e., manual retrieval

of information in the preparation of statistical reports to Equal Employment Opportunity Commission, etc.).

6) The receipt of an inordinate amount of correspondence requesting status inquiries or other information, etc., which is generated by the complaint workload.

Nonetheless, projects have been undertaken to specifically identify and rectify the causes of processing delays. Currently, resources have been shifted to process complaints at the Departmental level en masse according to the specific phase in which the complaint falls within the process.

Further, investigators are streamlining cases thereby reducing the amount of time and material required for adjudication. Training in the resolution of complaints and the review of investigative report, case analysis, etc., is being provided to increase the level of technical expertise.

Under this method, accept-reject reviews, processing of all hearing requests, withdrawals, etc., handled by individual staffpersons are now processed within a minimal time of receipt. In the area of investigations, a goal to complete cases within 120 days of receipt has been established.

These innovations represent an important refinement of previous approaches utilized within our organization as well as an improved method of case management which will result in the overall reduction of processing time.

ENERGY CONSERVATION

Question: With respect to Acquisition and Property Management, what specific work is proposed to be done in fiscal year 1984 regarding energy conservation work?

Answer: Specific energy conservation work to be done in FY 1984 includes performing technical surveys of buildings and starting, or in some cases continue the retrofitting of buildings for better energy efficiency. Other plans include development of energy efficient alternatives.

Question: Has the energy surplus situation we presently enjoy caused the Department to be less aggressive in its energy conservation activities?

Answer: The Department's commitment to energy conservation has not been less aggressive since the surplus energy situation arose. The establishment of the Departmental Energy Conservation Committee in February 1982 has helped the energy conservation initiatives of the Bureaus to continue.

DEPARTMENTAL PERSONNEL DATA FILE SYSTEM

You indicate on page 61 of the justification that an increase of $40,000 is requested for fiscal year 1984 to provide for operation and maintenance costs of the Departmental Personnel Data File System.

Question: Is this system already in place? If so, for how long?

Answer: Yes, this system has been in place since 1982. During 1981 and 1982, in close cooperation with the Office of Personnel Management and the Equal Employment Opportunity Commission, the Department undertook to modernize its computer based information system for personnel management and equal opportunity. Although the system has been operational since 1982, the Department has attempted to update and improve the system to achieve economies in reporting and data analysis. New employment reporting under the FTE system requires revision of data base and format changes compared to the old on-board strength system.

Question: If it is in place why isn't additional operational funding included in the base?

Answer: The application of the Departmental Personnel Data File has been in direct relation to the level of resources available over the past few years to make modifications and improvements to the system. The Department requested additional resources in 1983 to make certain improvements through programming modifications to meet OPM and EEOC reporting requirements. Since these additional resources were not provided, they are not included in base amounts, and any increase above previous levels is reflected as a program increase for 1984.

The $40,000 requested as an increase for 1984 will provide for the cost of ADP support including computer time, processing and printing of computer reports and for major reporting improvements in the automation of SF-113 Employment reports, the addition of component level data sets, and the establishment of an incentive awards subsystem. Implementation of these will be in conjunction with the Office for Equal Opportunity's development of the Complaints Management Information System (CMIS) and Productivity Measurement and Resource Tracking System (PMRTS) also expected to be implemented in 1984.

ADMINISTRATIVE SERVICES

Question: For the record, please provide a funding breakdown for each of the divisions within the Office of Administrative Services, and provide a specific funding breakdown of each activity within the Division of General Services.

Answer: The estimated funding level for each of the divisions within the Office of Administrative Services is provided in the attached table.

A further breakdown of the various activities within the Division of General Services is not available. Identification of resources

for the numerous functions performed by this division has not been practical at a subdivision level.

OFFICE OF ADMINISTRATIVE SERVICES
($000)

Division	Funding Source	FY 1984 Estimate Amount
Director's Office	Direct	160
	WCF	110
Division of Enforcement and Security Management	Direct	441
	WCF	415
Division of General Services	Direct	763
	WCF	1,274
Division of Printing and Publications	WCF 1/	1,909
	WCF 2/	586
Division of Space Management	WCF	361
Division of Personnel Services	Direct	724
	WCF	532
Division of Fiscal Services	Direct	795
	WCF	532
Departmental Ethics Staff	Direct	156
Human Relations Division	Direct	230
Total	Direct	3,269
	WCF	5,719

1/ Departmental Print Plant and Copy Center
2/ Division of Printing and Publication

Note: Human Relations Division is Secretarial EEO function formerly part of personnel services, general services and director's staff.

HEARINGS AND APPEALS WORKLOAD

Question: Please provide a specific breakdown of the workload projections of the Office of Hearings and Appeals for fiscal years 1982, 1983 and 1984.

Answer: The breakdown of the workload projections of the Office of Hearings and Appeals for fiscal years 1982, 1983 and 1984 is as follows:

Hearings and Appeals Workload

	Pending Begin FY 82	Received During FY 82	Decided During FY 82	Pending End FY 82 Begin FY 83	Received 1st half FY 83	Decided 1st half FY 83	Projected Receipt 2nd half FY 83	Projected Decided 2nd half FY 83	Projected Pending Begin FY 84	Projected Receipt FY 84	Projected Decided FY 84	Projected Pending End FY 84
IBLA	839	1,434 1/	1,437	835	562	563	677 2/	704	836	1,365	1,499	702 3/
IBSMA	36	41	34	43	2	16	0 2/	0	0	0	0	0
IBCA	110	137	140	107	82	67	68	65	125	160	140	145
IBIA	35	73	57	51	28	31	30	30	48	75	75	48
ANCAB	95	28	123 1/	0								
Teton	2	2	4	0								
Relocation	35	10	20	25	4	10	7	11	15	18	20	13
Personnel Grievances	41	64	57	48	30	38	32	35	37	68	60	45
Director's Decisions	53	18	55	16	10	20	13	11	8	25	18	15
Total	1,246	1,807	1,927	1,125	718	745	827	856	1,069	1,711	1,812	968
Hearings Division												
Surface Mining	553	337	523	367	120	146	200	75	466	547	450	563 4/
Public Lands	347	132	273	206	78	95	90	75	204	160	200	164
Bnd Spec & Misc.	36	65	61	40	40	24	80	30	106	40	50	96
Indian Probate	2,480	2,961	2,968	2,473	1,300	1,530	1,300	1,459	2,084	3,000	3,200	1,884 5/
Total	3,416	3,495	3,825	3,086	1,538	1,795	1,670	1,639	2,860	3,747	3,900	2,707
Grand Total	4,662	5,302	5,752	4,211	2,256	2,540	2,497	2,495	3,929	5,458	5,712	3,675

1/ ANCAB abolished by Secretarial Order 3078, June 30, 1982. 89 cases transferred to IBLA.

2/ IBSMA abolished by Secretarial Order 3092, April 25, 1983. 29 cases transferred to IBLA.

3/ Projections based upon appeals received in past years. The number of appeals received is a result of the work loads and priorities of the agencies reviewed by IBLA. During the past fiscal years more appeals have been received during the second half of the Fiscal Year.

4/ OSM figures could increase significantly depending on Assessment - Computer Operation.

5/ Indian Probate could increase depending on legislation on Indian Land Consolidation Act - and Court Decision regarding White Earth Decision.

OFFICE OF THE SOLICITOR

STATEMENT OF WILLIAM H. COLDIRON, SOLICITOR

ACCOMPANIED BY:

TERRANCE C. WILES, DIRECTOR OF ADMINISTRATION

DONALD A. CHENDORAIN, DEPUTY DIRECTOR OF ADMINISTRATION

PREPARED STATEMENT

Senator MCCLURE. We turn now to the Office of the Solicitor.

The fiscal year 1984 budget estimate for the Office of the Solicitor is $18,647,000, an increase of $243,000 over the fiscal year 1983 appropriations to date. Also pending is a pay supplemental in the amount of $663,000.

Mr. Coldiron, your opening statement will be included in the record. If you would introduce your associates, we will proceed to the questions.

[The statement follows:]

STATEMENT OF WILLIAM H. COLDIRON

Mr. Chairman, and members of the subcommittee, thank you for this opportunity to discuss our fiscal year 1984 budget request for the Solicitor's Office of the Department of the Interior.

The Solicitor's Office has submitted a detailed budget justification to the subcommittee.

Before addressing our fiscal year 1984 budget request, it is important that I spend a few moments telling you about our fiscal year 1983 budgetary problems. Over at least the last 4 or 5 years the Solicitor's Office, like all Federal agencies, has absorbed most of the additional costs associated with the annual pay increases paid to Government employees. For example, in fiscal year 1980 this Office absorbed $138,000; and $579,000 in fiscal year 1982. Our fiscal year 1983 budget request was reduced $667,000 during the congressional budget process. As you well know, the Solicitor's Office is primarily a salaries and expenses account with approximately 75 percent of our budget being salaries and benefits costs. If other uncontrollable costs such as GSA space and other rental costs are added in, approximately 90 percent of our total budget request is uncontrollable.

During fiscal year 1983 as was suggested by the Appropriations Conference Committee, we will reduce and consolidate our field office structure to lower our overhead costs and provide better legal service to our client agencies. Any reduction in our spending pay cost supplemental will put us in the position of simply not having enough funds to make it through the fiscal year and will require us to either furlough employees or take some other drastic measures. I strongly request that the full amount of our pay cost supplemental be appropriated.

Our fiscal year 1984 budget request totals $18,647,000, which is a net increase of $243,000 above our fiscal year 1983 appropriation.

At this level, we will be able to continue to provide quality legal services to the Department. I am convinced that in the past few years, the Office of the Solicitor has been successful in meeting the legal needs of all of the bureaus and offices. My goal, with your help through the appropriations process, is to build upon those services we now provide to assure that all elements of the Department are given a full-range of

assistance so as to be able to implement the laws of the United States in the manner intended.

I urge your favorable consideration of this budget submission and will be happy to answer any questions the subcommittee has.

INTRODUCTION OF ASSOCIATES

Mr. COLDIRON. With me today, Mr. Chairman, is Terrance Wiles, who is the Director of Administration in the Solicitor's Office, and Mr. Chendorain, who is his deputy.

Senator MCCLURE. Thank you, sir.

Mr. Coldiron, as a major part of your statement concerns the pending pay supplemental, should we assume that the full amount of your request is essential to your operations?

Mr. COLDIRON. We believe that it is.

REIMBURSEMENTS

Senator MCCLURE. In general, how does the level of reimbursements from Interior bureaus affect the level of services you are able to provide?

Mr. COLDIRON. Well, now, really not any directly. We do, on occasion, have to ask our client agencies for help in travel and other support things. They do not hire any lawyers themselves.

Now, in the Office of Surface Mining there are some funds from the abandoned mine lands, funds that are used to employ, I believe, three lawyers in the Charleston, W. Va., office, one lawyer in Washington, and one support staff in Charleston, two in Knoxville, and one in Washington. But as a general rule, they do not reimburse us for any of the services we furnish.

Senator MCCLURE. What criteria are used in determining if the bureau will be charged for the service from the Solicitor's Office?

Mr. COLDIRON. Well, the rule is they would not be charged. It would only be because of a shortage of funds in the Solicitor's Office.

Senator MCCLURE. Do you have a criteria to determine which ones you charge and which ones you don't, which ones you ask and which ones you don't?

Mr. COLDIRON. No; it's on an ad hoc basis. If we have a particular job and we don't have any money, we'll have to ask for help from the client agency.

Senator MCCLURE. I would assume that your travel budget is rather generic and it isn't job specific; so if you have trouble meeting your travel budget you have to decide who you are going to ask to help you out, aren't you?

Mr. COLDIRON. That is a situation, for example, if the Bureau of Reclamation had a hearing in Boise, Idaho, and wanted someone from the Washington office to go there, and we had nothing left in our travel budget, they would pick up the travel cost for a lawyer from Washington.

Senator MCCLURE. I have some detailed questions with respect to how that is broken out, and I'll ask you to respond for the record on those details.

Since the Solicitor is the legal staff of the Department, why should you be allowed to charge any of the bureaus for services?

Mr. COLDIRON. We shouldn't be.

Senator MCCLURE. It is a matter of expediency?

Mr. COLDIRON. It is a matter of expediency. We shouldn't be charging our client agency. Our services should be paid for from appropriated funds.

Senator MCCLURE. They would rather that you charge than to go without services; is that correct?

Mr. COLDIRON. Yes, sir.

Senator MCCLURE. Would it be better for us to insist that you do that?

Mr. COLDIRON. Well, I think this is a matter of convenience. I don't think that having a very rigid rule saying that we could never do it, would be good policy. I do not think it would be a good policy.

REIMBURSEMENT PROGRAM

Senator MCCLURE. I note that you have estimated $200,000 as reimbursements for 1984. Why didn't you include that in your budget request?

If you can anticipate well enough to estimate it, why don't you just anticipate well enough to put it in the budget?

Mr. COLDIRON. Could I ask Mr. Wiles to answer that?

Senator MCCLURE. Yes.

Mr. WILES. Mr. Chairman, we've used reimbursements, generally, for unforeseen court actions or developments that come up after preparation of our budget request. For instance, we only spent $25,000 in 1982 for our reimbursement program; already, this year, there was a court order that affected the Office of Surface Mining that has forced us to implement a reimbursement agreement with them to provide the services that were not budgeted but were ordered by the court to be completed. There is also some work in the Minerals Management Service under royalties management that was unforeseen at the time that the budget was prepared. It allows us a little bit of flexibility in being able to provide services.

Senator MCCLURE. Isn't that a contingency? Don't most budgets have contingencies?

Mr. WILES. It is not a contingency, sir, in the fact that there is no money there, it just allows us the authority to go up to that amount.

Senator MCCLURE. Lawyers are trained to cover things up with words, and what I think I detect here is a semantic difference without a real difference. You are suggesting that there is a contingency you can't anticipate; therefore, you won't cover it with a contingency, you'll put in, instead, a reimbursement account?

Mr. WILES. Yes, sir.

Mr. CHENDORAIN. It probably should be noted that our budget is primarily salaries, almost 80 percent is salary related. Since it is a single annual account, it is very difficult to provide a reserve or contingency within the budget.

Senator McCLURE. Fine.

Mr. CHENDORAIN. Because almost an additional 10 percent, in addition to the 80 percent for salaries, is basically fixed costs.

Senator McCLURE. Doesn't every other bureau have contingencies? Are you suggesting that they cover the contingencies in their budget and you don't have to cover the contingency in yours?

Mr. CHENDORAIN. I can't speak to their budget.

Senator McCLURE. Well, you're expecting to get $200,000 out of them.

Mr. CHENDORAIN. Well, historically I know that we've been reimbursed for such things as when the merit pay formula came into existence. We had used several people from our office for even nonlegal kinds of activities, such as sitting on a task force and developing merit pay formulas.

Senator McCLURE. It isn't the biggest item in the budget, but it is a little unique in yours, I believe.

Mr. COLDIRON. We will certainly take this into consideration.

DEBT COLLECTION

Senator McCLURE. Thank you, Mr. Coldiron.

In October 1981, the Office of the Inspector General issued a report on the debt collection practices of the Office of the Solicitor. At that time there were 1,246 cases pending which totaled $10,800,000 in outstanding fees and penalties. What is the current backlog of debt collection cases and the total dollar amount?

Mr. COLDIRON. Well, bearing in mind abandoned mine reclamation cases, we have concluded 117 of those cases and collected, which involved $2.9 million. We have 639 of those cases still open that involve $15.8 million. In the civil penalty cases, we have concluded 607 violations involving $2.5 million.

Senator McCLURE. Are these civil penalty cases in the abandoned mine reclamation?

Mr. COLDIRON. No; those are not.

Senator McCLURE. If I understood you correctly, you said there were $2.9 million collected?

Mr. COLDIRON. No, sir. No; these were the amounts involved in the abandoned mine land cases concluded. Actually, we have collected, in fiscal year 1982, $1,040,000, in fiscal year 1983, to date, we have collected $466,000, roughly $1½ million.

ABANDONED MINE CLAIMS

Senator McCLURE. Is that in the abandoned mine?

Mr. COLDIRON. This is in the abandoned mine claims, yes.

Senator McCLURE. Now, as I understand from the reports you issued in October 1981 that of the 1,246 cases then pending 341 of those were abandoned mine cases.

Mr. COLDIRON. Yes, sir. Those are the figures reported by the Inspector General, based upon poorly maintained Office of Surface Min-

ing and Solicitor records. We have revised and updated these figures as of March 1983, as indicated above.

Senator McCLURE. And of the $10,800,000 then reported as being due in outstanding fees and penalties, the abandoned mine claims were $7,300,000; is that correct?

Mr. COLDIRON. I think those figures are approximately correct as to what the Inspector General reported in 1981; yes, sir.

Senator McCLURE. And you gave me some figures with respect to your activities and your collections in the abandoned mine reclamation fees, which are only a portion of the total that were shown in your report of October, 1981. And I think you were giving me some other figures with respect to the ones that are not abandoned mine cases.

Mr. COLDIRON. These are abandoned mine reclamation claims I have referred to based on our recent Solicitor's Office figures.

Senator McCLURE. How about the civil penalties?

Mr. COLDIRON. Well, I would like to point out if I might, sir——

Senator McCLURE. Surely.

Mr. COLDIRON. In the abandoned mine claims there is $5.9 million of that that we have attempted to collect and found it wound up in bankruptcy court, which——

BANKRUPTCIES

Senator McCLURE. How many of those are fraudulent bankruptcies or evasive bankruptcies?

Mr. COLDIRON. I can't give you that figure.

Senator McCLURE. Do you have any hunch?

If the information that comes to me is correct, I would judge that a high proportion of those are simply reorganized to avoid the penalty.

Mr. COLDIRON. Well, there may be some of those, yes, sir. I really don't know. We've never made any kind of a study on that particular one. We have so much to do trying to get rid of this backlog of cases, that investigating or surveying the type of bankruptcies that might be involved, except as we handle each case, is almost a super task.

Senator McCLURE. Have you turned any of that over to the Department of Justice for investigation as possibly fraudulent activity?

Mr. COLDIRON. No, sir, we have not.

Senator McCLURE. It would seem to me that if those charges are correct that is an area that ought to be pursued by someone.

Mr. COLDIRON. Well, we will look into that. Because these cases are really the duty of the U.S. district attorneys and they are very low on their priority list because they are very busy in their offices, we have had nine of our people appointed as special assistant U.S. attorneys and are currently requesting additional appointments. Our collection force actually goes out and does the legal work which would ordinarily be done by the Department of Justice through the U.S. attorney's office. So, our work has been primarily to try to reduce this backlog of cases that we had in this area.

Senator McCLURE. Well, they helped you if they filed bankruptcy, then, because that gets it out of the backlog and off your desk.

Mr. COLDIRON. Well, I don't think that that is what we are trying to do. But we're also pursuing in the bankruptcy court; if there are really assets there, we go after those.

Senator McCLURE. Well, it is pretty easy, is it not, Mr. Coldiron, for somebody to declare bankruptcy if their liabilities exceed their assets and if they include penalties and reclamation costs?

Mr. COLDIRON. Having those types of liabilities would help, but frankly, Senator, I haven't done a bankruptcy case in so long—I have never done one under the new Bankruptcy Act—so I can't tell you; but I understand it's a lot easier.

Senator McCLURE. Well, there are a great many people who believe that they see developing a pattern of evasion using the bankruptcy courts as a means to evade their responsibility for reclamation.

Mr. COLDIRON. I certainly read that in the public press and in the legal journals.

Senator McCLURE. You read it but you haven't pursued it?

Mr. COLDIRON. I haven't made any investigation. No, sir.

Senator McCLURE. And you've indicated you don't have the personnel that is necessary to pursue it; did I hear you correctly?

Mr. COLDIRON. Not as an indepth study. No, sir, we do not have.

Senator McCLURE. Well, that may be something that we would want to pursue and consult with you; because if that pattern is correct, they should be pursued. If the pattern is not correct, we should develop the facts so that we can assure the public that those reports are not correct.

Mr. COLDIRON. It would certainly be a worthwhile project.

BACKLOG OF DEBT COLLECTION CASES

Senator McCLURE. Now, could you tell me what is the number of current backlog collection cases and the total dollar amount that is outstanding now?

Mr. COLDIRON. Are we talking about civil penalty cases, sir?

Senator McCLURE. The total of both the abandoned mine and the civil penalty.

Mr. COLDIRON. We have 3,185 notices of violation or cessation orders which have been served under civil penalties. Open abandoned mine reclamation fees cases total 639. Each civil penalty case contains about 3.5 notices of violation or cessation orders. That means we have between 637–1,061 actual civil penalty cases pending..

Senator McCLURE. What is the total dollar amount that is involved?

Mr. COLDIRON. In the abandoned mine claims the total of the open cases, there's $15.8 million, and the civil penalty cases, $37.6 million.

Senator McCLURE. Well, if I understand the figures correctly—and tell me if I make the wrong connotation from these figures—in October 1981, there were 1,246 cases pending for the total of $10,800,000 involved, today you have 4,548 cases pending with a total amount involved of $52,600,000. And you suggested that you can't deal with the bankruptcy cases because you've been reducing the backlog.

Mr. COLDIRON. I didn't say we'd been reducing the backlog, I said we'd been working at it, and that those are the Inspector General's early numbers which have since been revised.

Senator MCCLURE. Yes. And I think that is fair. And what I am trying to get at is whether or not you have enough resources to do the job you are called upon to do.

Mr. COLDIRON. We have pending now before OMB—we hope it gets to Congress—a supplemental to our current budget for about a half a million dollars for this year and $1.1 million for next year, to increase this—to get 30 new positions to increase the collection effort.

Senator MCCLURE. How many people do you have working on that collection effort now?

Mr. COLDIRON. I believe we have a total of eight lawyers in the field doing this, and several in Washington. We have a field office of five people in Knoxville that a good portion of their time is spent on this. We've had an office in Charleston, W. Va., where we've had four attorneys and one support staff who have been working primarily on this. We were going to close the Charleston office and move it to Pittsburgh, because that is where our client agency, OSM, is opening an office, or has opened an office although we may keep part of the collections staff in Charleston.

Senator MCCLURE. If I am correct you have had approximately 12 people working——

Mr. COLDIRON. Eight lawyers.

Senator MCCLURE. Eight lawyers?

Mr. COLDIRON. Yes, sir.

Senator MCCLURE. How does that compare to the 30 positions you are asking to be funded now?

Mr. COLDIRON. These would be over—the 30 positions would be over and above that.

Senator MCCLURE. Would they all be lawyers?

Mr. COLDIRON. Seventeen lawyers.

Senator MCCLURE. Seventeen of the thirty would be lawyers?

Mr. COLDIRON. Seventeen lawyers of the thirty.

Senator MCCLURE. Seventeen lawyers and thirteen other?

Mr. COLDIRON. Thirteen others. And they would be paralegals and support staff.

Senator MCCLURE. How many paralegals and support staff do you have working with those eight lawyers you have now?

Mr. COLDIRON. I believe there is one in Charleston, two in Knoxville, one in Washington, I think four.

Senator MCCLURE. So it is about 8 and 4 now, and you're asking for 17 and 13 more?

Mr. COLDIRON. That's right.

Senator MCCLURE. So, it is about doubling your current capacity?

Mr. COLDIRON. Approximately doubling. Would be a little bit more than doubling.

Senator McCLURE. Is that going to be enough to reduce that backlog that has gone from 1,246 cases to 4,548 cases in a year and a half?

Mr. COLDIRON. We think that it will. We're setting part of this up as a special task force on megabucks. We are going to have new people and divide them into three special teams that will be made up of lawyers, paralegals, and inspectors from the Office of Surface Mining. We hope that they can work together on this and that they could get rid of a great many of these cases. We believe that this is adequate. The others will work on collections.

Senator McCLURE. Would any of those approximately 36 positions—or 42 positions—you are talking about be devoted to investigating the possibility of fraud in bankruptcies?

Mr. COLDIRON. We hadn't thought of it, but believe me, we will talk about that when I get back to the office today.

Senator McCLURE. Well, if you haven't thought of it, then it would sound like you might need more people——

Mr. COLDIRON. Possibly we might.

MEGABUCKS

Senator McCLURE. On the so-called megabucks cases, the Secretary is authorized to employ alternative enforcement procedures as opposed to collecting assessed fines. Such alternatives may include criminal charges. Have you made any recommendations to the Secretary as to implementation of this discretionary authority?

Mr. COLDIRON. Criminal charges?

No, sir. I have not.

Senator McCLURE. Or anything other than just a collection of assessed fines?

Mr. COLDIRON. At the present time we have not made a policy recommendation as to criminal penalties.

We would, of course, have to recommend any prosecution to the Justice Department and they may or may not take our recommendation.

Senator McCLURE. But you haven't made any yet?

Mr. COLDIRON. We haven't made any. No, sir. We have referred individual cases.

DEBT COLLECTION DELINQUENCIES

Senator McCLURE. How do you prioritize debt collection activities, by amount, by targeted programs, by length of delinquency, or on some other basis?

Mr. COLDIRON. Well, certainly the length of delinquency has something to do with it, the amounts have something to do with. We'll go more vigorously after the $20,000 debt than we would after a $250 debt. Now, a lot of these cases are very small. In fact, collecting so many of these fees will cost the Government considerably more than the penalty that might be involved. So, the amount of the debt certainly would have something to do with it.

Senator McCLURE. Could you provide for the record a breakdown of the 4,548 cases that are pending and how many you think it will cost more to collect than you will succeed in collecting?

Mr. COLDIRON. We'll try to give you a breakdown of the amounts involved.

Senator McCLURE. I'm not asking you to give it on a case-by-case basis.

Mr. COLDIRON. Yes, sir. We'll try to do that.

[The information follows:]

COLLECTION AND ALTERNATIVE ENFORCEMENT CASES

Based on what we consider far more reliable statistics than previously available at the end of March 1983, the Solicitor's Office had 3,185 civil penalty matters totalling $37,592,337 pending for collection. At the same time, the Solicitor's Office had 639 pending cases arising from unpaid fees under the Abandoned Mine Reclamation (AML) Program; these AML fee cases totalled $15,764,822. Thus, the total current amount pending for collection in the Solicitor's Office is approximately $53,357,159.

One of the problems regarding collections at the beginning of 1981 was that although several sets of statistics on collectables existed at the Office Surface Mining, the Solicitor's Office, and the Department of Justice, they were unreconcilable and a true understanding of the magnitude of the problem could not be documented. Therefore, early in my tenure, to determine the size of the collections workload, I requested that the Inspector General conduct an audit. In October 1981, the Inspector General reported that there were 1,246 cases comprising $10.8 million in fees and penalties pending. The report states that pending civil penalty cases totalled about $3.2 million and that there were approximately $7.0 million in open AML fee cases.

Although reliable base statistics for earlier periods are unavailable, it is clear that the number and total dollar amount of civil penalty matters and AML fee cases carried in an open, or pending, status in the Solicitor's Office show increases. The principal cause of the increases is recent referrals of old cases from OSM to the Solicitor's Office for collection.

Approximately one-third of the present civil penalty caseload in the Solicitor's Office has been referred by OSM within the past six months. Moreover, it is estimated by OSM that about $50-$80 million in civil penalties will be referred for collection in the coming months.

In summary, the civil penalty caseload in the Solicitor's Office is approximately $37.5 million. This is an increase of $34.4 million over what the Inspector General reported in 1981. The statistics also show that in the past year and one-half, the Solicitor's Office has been receiving civil penalty cases from OSM at an average rate of over $62,000 a day.

The AML fee caseload has also increased over the $7.0 million reported by the Inspector General in 1981. At the end of March 1983, the reclamation fee cases had risen to approximately $15.8 million as a result of referrals from OSM. Thus, AML fee cases in the Solicitor's Office have risen about 43 percent in a single year.

To increase collections and to keep abreast of new case referrals from the Office of Surface Mining (OSM), the Department reviewed its procedures and made a number of changes.

First, we no longer routinely refer our debt collection cases to the Department of Justice. Working with the Department of Justice, a special group of attorneys within the Division of Surface Mining, Solicitor's Office, have been designated by the Department of Justice as Special Assistant United States Attorneys to help handle the existing backlog of collection cases and to process the new referrals from OSM. Most of the program's collections attorneys are based in our Charleston and Knoxville Field Solicitors' Offices. The attorneys are, therefore, authorized by the Department of Justice to handle civil collections prosecutions which include all actions necessary to effectuate collections on the Department of the Interior's behalf.

To improve our debt collection effort we have also been examining our internal procedures. We have streamlined our referral system so that now OSM directly refers a particular case to the Field Solicitor when that case is ripe for legal action. We developed a bank of form letters and pleadings to expeditiously handle routine cases. We also designed and implemented a manual case-tracking system to monitor our collection efforts. We are now requiring each attorney working on collection cases to document, monthly, his or her activities and successes such as the number of complaints filed, judgments gained, amounts collected, etc. We are now working on a computerized information system for our collection program; this automated system will replace the manual statistical system now being used by our attorneys in the field. On Monday, May 9, 1983, we began a complete manual inventory of each and every collection case file in a pending status in the Solcitor's Office. The inventory, which is being conducted in our Field Solicitors' Offices in Knoxville, Charleston, and Tulsa, will be completed this summer.

To further improve collections, we enlisted the aid of the private sector to collect outstanding debts. As part of a pilot project, the Department has contracted with Hooper-Holmes, Inc., to locate delinquent debtors and their assets. The Department also has engaged Dun and Bradstreet Commercial Collections to collect unpaid debts owed by coal mine operators prior to the initiation of litigation by the Solicitor's Office. We expect to implement other changes including the use of administrative setoffs and to refine the collections process and recordkeeping.

In the meantime we are improving our collection performance. For instance:

- o With respect to AML fee cases:
  - --In fiscal year 1982, we obtained 37 judgments totalling $913,681.
  - --During the first six months of this fiscal year we have already obtained 48 judgments totalling $1,051,900.

- o With respect to civil penalty cases:
  - --In fiscal year 1982, we obtained 129 judgments totalling $981,923.
  - --In fiscal year 1983, we have already obtained 87 judgments totalling $1,736,450.

- o Therefore
  - --In the 12 months of FY 1982, we obtained judgments totalling $1,895,60[illegible].
  - --During the first half of FY 1983, we have already obtained judgments totalling $2,788,350.

- o In the past year and one-half, we have collected a total of $657,675 in civil penalties. During FY 1982, we collected $365,203; in the first six months of FY 1983, we have already collected $292,472.

- o During FY 1982 and the first half of FY 1983, we have collected a total of $1,506,332 in Abandoned Mine Land Reclamation fees. Last fiscal year we collected $1,039,761; this year we have collected $466,571 in AML fees.

- o With respect to civil penalties, we have concluded 607 violations totalling $2,501,962. We have concluded 117 reclamation fee cases totalling $2,987,306. A concluded case for our purposes is one that is closed either because the debtor has paid whatever is due, which is the full amount or the amount agreed to in settlement negotiations, or the debt has been deemed uncollectable and is so documented in our records.

Despite the progress we have made, funding and staffing limitations still make it difficult for the Solicitor's Office to keep pace with the workload of debt collection cases. Our experience shows that, in most cases, collection is difficult and time consuming. The problems have been aggravated by the economic conditions in the coal industry. Nevertheless, we are encouraged by the initial results of our collections efforts, and our program is being upgraded constantly. We do not have an analysis of our collection cases by the amount of the debt broken down into collectable, uncollectable, or uneconomically collectable. Cases are categorized by the name of the indigent debtor, the State, Federal District Court in which the debt is owed, and the year in which the debt was incurred. As each case is reviewed by an attorney prior to and during litigation, assessments are made as to the collectability of the debt. When support exists, under the Debt Collection Act, as amended, and, GAO and Departmental guidelines, for deeming a portion of the debt uncollectable, either through settlement or writeoff, such a determination will be made and duly documented. Without conducting a time-consuming review of each case file in some detail to determine the location of the debtor and his/her other assets, no reliable data for uncollectable or negative cost benefit collections cases is ascertainable.

With respect to criminal prosecutions for violations of the Surface Mining Act, the Department of the Interior can only refer cases for criminal prosecution to the Department of Justice; the Department of the Interior cannot initiate such prosecutions. United States Attorneys and their assistants handle these cases from grand jury proceedings, to trial, to appeal. It is the Department of Justice which must authorize prosecution--weighing a number of concerns, including the gravity of the offense, chances of success at trial, staff resources and office priorities, and availability of alternative remedies including civil litigation or ongoing State courts prosecution.

I can state, generally, that criminal prosecutions involve significantly more preparation and effort than civil cases. Criminal prosecutions, by their nature, impinge upon personal liberties and private reputations. For this reason, investigations must be thorough and accurate. OSM inspectors, as a general rule, have not had training or experience in the preparation of criminal law enforcement cases. In criminal cases, the burden of proof upon the government is proof of guilt beyond a reasonable doubt--rather than the mere preponderance of the evidence standard of civil cases. A defendant in a criminal case has the protection of a panoply of procedural and substantive rights secured by the Constitution many of which are inapplicable in civil litigation. Therefore, the criminal process is much more complex and protracted than civil litigation and requires a greater allocation of staff resources. We believe that criminal enforcement should be used in appropriate cases but should be used carefully and only when there are clear factors supporting a request to the Department of Justice for prosecution. Caution should be exercised to avoid potential claims that we are seeking imprisonment for nonpayment of debts, or otherwise abusing the criminal justice system.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. The average is just a little over $1,000. No, it would be a little over $10,000 per fine, assessment penalties; is that correct—the outstanding cases?

Mr. COLDIRON. I'm surprised that the figure is that high, quite frankly.

Senator MCCLURE. Well, there's some $52 million and some 4,500 claims.

Mr. COLDIRON. Sounds like your arithmetic is right, sir.

Senator MCCLURE. Mr. Coldiron, thank you very much for your testimony today. I'm sorry that this session of the Senate has forced us to attenuate this session a little.

We'll submit some other questions for your responses in writing.

Mr. COLDIRON. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Reimbursements

Question: Actual reimbursements in fiscal year 1982 totaled only $25,000 compared with $136,000 in fiscal year 1981 and $200,000 for fiscal years '83 and '84. What caused the drop in fiscal 1982?

Answer: Actual reimbursements for fiscal year 1982 did not include any charges for salaries of work performed for client bureaus by attorneys within the Solicitor's Office. Reimbursements for fiscal year 1982 consisted primarily of travel. In fiscal year 1981, $117,000 of the $135,000 earned was for salaries of attorneys to provide services to clients. Typical services would be serving on client agency task forces, speaking before seminars of agency officials, or providing training to bureau officials. The remaining $18,000 in fiscal year 1981 related to travel.

Question: Is the $200,000 level still an accurate estimate for reimbursements for the current year and for fiscal year 1984?

Answer: The $200,000 estimate for fiscal year 1983 reimbursements was recently revised to $500,000. This increase represents services to the Office of Surface Mining and the Minerals Management Service which were not included within the original fiscal year 1983 estimate. For fiscal year 1984, the $200,000 reimbursement estimate remains unchanged.

Question: Of the $200,000 estimate, more than $80,000 was to come from the Bureau of Indian Affairs, why is this?

Answer: The most recent projection of fiscal year 1983 reimbursements to be earned from the Bureau of Indian Affairs was 32 percent ($64,000) of the original projection of $200,000. The most recent estimate was based upon the reimbursements earned in fiscal years 1981 and 1982, adjusted for current conditions. In fiscal years 1981 and 1982, the Bureau of Indian Affairs accounted for 29 percent and 21 percent of the total reimbursements earned.

Question: Do you carry over reimbursements from one fiscal year to the next as they are not technically funds appropriated to your Office?

Answer: Reimbursements earned are not carried over from one fiscal year to the next since the Solicitor's appropriation is a single annual account which expires at the close of each fiscal year. The level of reimbursements permitted is controlled by the Office of Management and Budget which issues new authority at the start of each fiscal year. Unused authority is not available for use in a subsequent fiscal year.

Question: If a bureau cannot pay for services rendered during the last quarter of the fiscal year, for example, will you again bill them in the next fiscal year?

Answer: The Solicitor's Office does not re-bill clients based upon the availability of funds in a subsequent fiscal year. Bills are prepared upon completion of the services or upon expiration of the fiscal year. The fiscal year to which such costs are to be ultimately charged is determined by the client bureau.

Management Information System

Question: One million and thirty-two thousand dollars was allocated for a new management information system in the fiscal year 1983 budget. A

request for proposal was to go out in March. What is the status of this project?

Answer: The request for proposal was issued on March 7, 1983. Competitive proposals were received on April 19, 1983. A technical review committee was established to review the proposals. The committee completed an initial determination of the technical acceptability of the proposals on April 26, 1983.

Question: Will the amount budgeted be sufficient to cover the costs of the system?

Answer: Final cost proposals for the management information system are not yet due. However, the Office expects that the amount budgeted will be sufficient to cover the system's cost.

Question: As part of the '83 budget, space costs were shifted to the regions. A statement provided reads: "We have determined that a more sound principle of accounting is to show space and other costs in the division or region where costs are incurred." The fiscal 1984 budget shifts all the computer costs to the general administration account. We agree that the developmental costs of an MIS system should be centralized, but why should the user costs be centralized?

Answer: The Office believes that charging costs to the divisions and regions incurring the costs is a sound principle. This principle was not followed for fiscal year 1984 computer costs to simplify display of the budget. As experience is gained and actual costs become known, they will be distributed to the divisions or regions which incur the costs.

Question: While there is no intent to restrict computer use for essential operations, many Interior bureaus have moved from centralized billing to user charges in an effort to better control costs. Have you discussed allocation of computer costs with other bureaus?

Answer: At this point, it is difficult to determine whether there will be excess computer time available for use by other bureaus. Also, until a contractor is selected we will not know the type of computer that will ultimately be furnished. Nonetheless, it is the expectation of the Office that a computer compatible with the requirements of the Department's Office of Information Resources Management and the National Park Service will be available. In this case, it is planned to make excess computer time available to these bureaus and any others having requirements compatible with the equipment.

Bureau of Indian Affairs

Question: Late last year, the Bureau of Indian Affairs submitted to the Congress a list of debts recommended for cancellation. On some of the loans, no payments had been made for a period of ten years or more. One of the reasons given by BIA officials for the time lag in closing the books on these debts was the necessity for involvement of your Office or the Department of Justice. Once the BIA has referred a delinquent account to your Office, how long does it take before some action is commenced?

Answer: Collection of debts referred by the Bureau of Indian Affairs is one of the priorities of the Solicitor's Office. Immediate action is taken as soon as a properly documented debt collection matter is received. In most instances, the Solicitor's Office sends a demand letter by certified mail. If a response is not received, the debt is promptly referred to the Justice Department for appropriate collection action.

Question: Of the total number of delinquencies, have you any estimate of the number which have been outstanding for a period of more than five years?

Answer: Of the total number of delinquent loans, ten loans have been outstanding for a period of more than five years.

Question: It would seem that the longer a debt is outstanding the smaller the chance that it will be paid. Have you any information to either support or disprove that statement?

Answer: The Solicitor's Office shares the belief that the longer a debt is outstanding the more difficult it is to collect. However, this Office has no actual data to support or disprove this belief as it applies to Bureau of Indian Affairs uncollected debt.

BIA Education

Question: Under "major projects completed" for BIA education in 1982, the justification cites defense of four law suits challenging BIA's efforts to close down several unneeded off-reservation boarding schools. According to information received this week from the BIA, the Ft. Sill case is still under litigation. Have you reviewed that situation lately?

Answer: Yes, in an effort to get the Judge to rule on the Government's motion to dismiss which has been pending for two years, the Government filed a Supplemental Memorandum in Support of the Motion to Dismiss two weeks ago.

Indian Water Rights

Question: A legislative settlement of the Ak Chin water rights case was reached several years ago. As the cost estimates for the project have more than doubled, the funding to complete the project has not been forthcoming. What remedies are available to the tribe and what has the Department been doing to resolve this problem?

Answer: The Ak Chin Indian Community has a contract with the United States in which the United States promises to deliver water to the community beginning January 1, 1984. The contract specifies that a failure to deliver water within the time set out in the contract shall be deemed a breach of the contract. The contract also provides that the measure of damages for a breach shall be the replacement cost of the water not delivered by the United States.

The Ak Chin settlement provides that the United States will deliver to the tribe an "interim" supply of water beginning January 1, 1984. The Department has already spent over $20,000,000 in preparation for the delivery of that interim supply of water. As the projected cost of providing the interim supply has escalated, the Department has undertaken an intensive review of all of the available alternatives for providing the water promised to the community in an effort to determine whether any of the alternatives might be more cost efficient than the one originally selected. Serious consideration has been given to securing a "permanent" supply of water for the Community rather than continuing to spend money on providing an interim supply. The Department met with the Community on April 26 and 27 to present to the Community the results of its review and expects to reach agreement with the Community shortly on the best method of proceeding to implement the settlement.

Question: In working on negotiated water right settlements, how much latitude do you have to commit the future expenditure of federal funds as part of a negotiated settlement?

Answer: In negotiating settlements of Indian water right disputes, the Department can only indicate that it would support an appropriation request for federal funds as part of the settlement. It cannot commit the expenditure of federal funds as part of the settlement unless Congress appropriates the funds. It is expected that all settlements will be submitted to Congress for approval before they become final whether they involve the expenditure of federal funds or not.

Barrow Gas Field

Question: Presently under discussion is the transfer of the Barrow gas fields to the North Slope Borough. The Federal government currently has responsibility for delivery of gas to the residents of Barrow. Without legislative relief to either increase the rates charged for the gas or to transfer the responsibility, the Geological Survey would be faced with the requirement for a drilling program which has been estimated to cost $100 million, as well as continued absorbtion of the difference between the cost of the gas delivered and the allowable rates. How are these negotiations proceeding?

Answer: Negotiations between the North Slope Borough and the Department of the Interior are essentially concluded. All points have been substantially agreed to, except one. Mayor Brower will not enter into an agreement until he sees the results of the deliverability studies now being performed on the Barrow gas fields by the U.S. Geological Survey. The deliverability studies were not, however, part of the original agreement outlined by Secretary Watt and Mayor Brower in December 1982. At that time, the deliverability studies were scheduled for the spring of 1983 to assist the Geological Survey in future planning. The Department at first cancelled the deliverability studies because they were no longer necessary for Geological Survey purposes. Moreover, it felt no obligation to continue them since the studies were not part of the agreement between the Secretary and the Mayor. When the Mayor learned of the cancellation, he insisted that the studies be performed and that no agreement was possible unless the studies were favorable. In an attempt to bargain in good faith, the Department agreed to perform the deliverability studies. They will be completed this summer. However, the Department could not agree to make the transfer conditional on the results. The Mayor refused to budge.

The Department believes that it has presented North Slope Borough with an exceedingly fair package embodying the elements of the Mayor's original agreement. Because of the Mayor's reluctance, the Department will be presenting this package to the Congress for enactment, rather than continuing to pursue an agreement.

Question: The budget for the Geological Survey anticipates final action on the transfer prior to fiscal year 1984. Is this realistic?

Answer: As long as the proposed Barrow gas transfer legislation is enacted by Congress this summer, transfer of the gas field prior to fiscal year 1984 is realistic. The proposed legislation contains language which would allow the Secretary to issue an operating license for the gas fields to the North Slope Borough immediately upon enactment. The Geological Survey would still be available to provide technical assistance. While conveyance of legal title to the gas fields by the Bureau of Land Management may take some

time, the operating license will allow the North Slope Borough to produce gas and receive all revenues from the Barrow gas fields immediately.

Question: As there are some known future costs to the government if the responsiblity is not transferred, is some cash payment, in addition to the land, being discussed for inclusion in the transfer?

Answer: The original agreement between Secretary Watt and Mayor Brower called for a payment of $30 million to the North Slope Borough. This would assist the Borough in taking over and running the gas fields. This figure has not been changed in the negotiations and will be included in the proposed Barrow gas transfer legislation. No additional appropriation would be necessary. The Department will make the money available by reprogramming residual NPR-A funds.

Questions Submitted by Senator Ted Stevens

Legal Services for the State of Alaska

Question: In the FY 1984 budget the Department of Interior is propcsing an increase of $243,000 over last year's appropriated level for the Office of the Solicitor. However, in Alaska the Department has proposed reducing the budget for the Office of the Solicitor. How do you justify this action in light of the fact that Alaska has more federal land under the jurisdiction of the Department of Interior than any other state in the union? Are you anticipating a decrease in Alaska-related matters?

Answer: The Solicitor's Office does not anticipate a decrease in Alaska-related matters. However, because there are certain budget adjustments in fiscal year 1984, there is a reduction in operating expenses for the Regional Solicitor's Office in Alaska. This reduction is primarily a result of the centralization of operating costs for the management information system (MIS) into a single account. Whereas one time start-up costs for the MIS had been previously distributed to each of the field offices and Washington divisions, funds for the MIS are now established in one account in fiscal year 1984 under "General Administration."

In addition to the transfer of the distribution of MIS funds from individual accounts to one single account, the total net decrease in Alaska's budget allocation is a result of: (1) the adjustment for 1983 pay increases and related costs, (2) the increase in rental payments to GSA, (3) one less workday in fiscal year 1984, (4) the increase in the repayment to the Employee's Compensation Fund, and (5) promotions and within-grade increases.

Question: On February 7th of this year, the court handed down a decision in the Ethel (Aguilar) case ordering BLM to recover title to about 500 Native allotments which were mistakenly conveyed to the State of Alaska. BLM was not aware that there were existing Native allotment claims against the land when it conveyed the properties to the State and now must expedite survey and conveyance of these allotments which exist on State lands. Some serious and difficult legal problems remain to be resolved including how to reimburse the State for lands BLM must recover from it. Also to be determined is how to handle cases where the State has already sold the Native allotment claim to a private individual. How do you plan to address these issues when you are reducing the Solicitor's budget in Alaska?

Answer: The Regional Solicitor for the Alaska Region has just recently hired two additional staff attorneys, bringing up the number of

attorneys in his office to a full complement of eight. The Regional Office will be able to handle the admittedly serious and difficult legal problems concerning existing Native allotment claims.

Question: There are currently about 8,000 to 9,000 outstanding Native allotment applications waiting to be processed, all of which were filed at least 12 years ago. Some are located on railroad rights-of-way which may be transferred to the State. Others exist within National Parks and Preserves, National Wildlife Refuges, National Forests, and National Wilderness areas. Most of these applications pose difficult legal questions. The Native community in Alaska has asked that these applications be processed as expeditiously as possible.

While all Native allotment applications were filed at least 12 years ago, many were filed 20 to 30 years ago. The legal questions remaining to be resolved have in part (been) caused by what I think you will agree, are intolerable delays in processing. Some people have died waiting for their claims to be granted. Cutting legal services available to process these claims will result in even greater delays. How do you propose to address this situation and the Natives' request for expedited consideration with a reduced budget?

Answer: The Regional Solicitor for the Alaskan Region has just recently hired two additional staff attorneys, bringing the number of attorneys in his Office to a full complement of eight. The Regional Office will be able to handle the legal problems in processing Native allotment applications. Although many legal problems are involved, the primary work in processing the 8,000 to 9,000 outstanding applications will be done by the Bureau of Land Managment.

Alaska Lands Act Regulations

Question: The Department of Interior is currently working on access regulations pursuant to Title XI of ANILCA. Implementation of these new regulations is bound to result in some legal questions as to the rights of inholders to gain access to their lands across federal property.

Although I haven't seen the draft regulations yet, I have urged Secretary Watt to permit all forms of access for economic purposes which were contemplated in the Alaska Lands Act including permanent roads for timber removal, aircraft landing strips, slurry pipelines for removal of coal, railroad tracks to facilitate mineral development, and communication and power transmission facilities. I also asked that each access decision be reviewed on a case-by-case basis.

Regardless of the regulations finally adopted by the Department, they will be challenged. How will the Department be able to handle these potential court suits when it has a reduced legal staff?

Answer: The Department is currently considering the adoption of regulations implementing Title XI of ANILCA. Among the subjects being discussed is the means by which to implement the provision of ANILCA relating to access to inholdings for economic purposes. When a draft of the regulations is prepared, the Department intends to give the public a very ample time period which to make comments. The Office intends to hold public hearings in Alaska. It is hoped that, as a result of internal discussions in the Department, and serious consideration to public comments, that the final regulations will respond to the widest possible array of concerns. The final regulations will not necessarily be subject to challenge regardless of content.

Should they be challenged, it is unlikely that either of the two types of challenges envisaged would increase the workload of the Solicitor's Office. The first type would be a direct challenge to the regulations or the EIS in the District Court by some group or entity, such as an environmental group of the state. This would probably, if it were to occur, amount to one lawsuit. The Department of Justice would represent the Department.

The second type of challenge would be made by dissatisfied applicants. Appeals routinely are made of Departmental decisions under other statutes by which access rights are granted. Similar appeals under ANILCA would be made administratively and would not necessarily involve lawyers from the Office of the Solicitor. Where the final administrative decision may be appealed to the Courts, once again representation of the Department would be undertaken by the Department of Justice.

The Office would like to stress that regulations can be drafted that take into account competing concerns and that Congressional views, and those of the public, will be seriously considered. The ANILCA regulations should not significantly increase the number of lawsuits confronting this Department.

Litigation Involving OCS Lease Sales in Alaska

Question: The Secretary has embarked on an ambitious 5-year lease sale schedule of our outer continental shelf. The Native community in Alaska has challenged these sales in court. How do you propose to deal with this litigation and that anticipated to be filed in the future with a reduced budget?

Answer: The Solicitor's Office will make sure that the Minerals Management Service complies fully with the law before offering an area for lease. When our clients have prepared thoroughly for a sale, plaintiffs can raise few issues. Also, judicial review of the Secretary's decision to offer leases is limited to the record before the Secretary. So the Office generally can avoid the more expensive and time-consuming process of building a new record before the court.

The Native community has raised novel legal issues, but so far the United States has prevailed. As we continue to win, Native groups will bring fewer suits.

Specifically, the courts have ruled that:

--Natives have no aborginal claim to the OCS, Inupiat Community of the Arctic Slope v. United States, 548 F. Supp. 182 (D. Alas. 1982);

--Section 810 of ANILCA, protecting the subsistence lifestyle or rural Alaskans, was not intended to apply to decisions to lease the OCS, Village of Gambell v. Watt, Civ. No. N83-003 (D. Alas. April 4, 1983).

Easement to Old Glenn Highway in Alaska

Question: It was recently brought to my attention by a Member of the Alaska State Legislature that there is another complicated land situation in Alaska that will require the legal attention of the Solicitor's Office to rectify.

In 1958 PL 1613 converted the status of lands within highway rights-of-way from withdrawals to easements. It also granted property owners adjoining the highway rights-of-way, preference rights to acquire title to

this land. In 1965, BLM launched a conserted effort to notify all affected property owners along the Old Glenn Highway that they could apply to obtain title to the easement. In 1977, the State of Alaska decided that the Old Glenn Highway right-of-way could be reduced in width so the Commissioner of Transportation issued Commissioner's Deeds of Vacation vacating the outer 50 feet of the right-of-way. Many property owners interpreted this action to mean that the State was conveying them title to the easement.

The property has in some cases changed hands several times with the understanding that the buyers were acquiring title to the 50-foot easement abutting the property in the purchase. However, BLM has now issued patent to some of the original preference right applicants even though they knew that the original applicants no longer owned the adjoining property.

This whole situation has resulted in a very complex legal question as to who owns the land--the State, the original owner who applied to acquire title to the easement, or the current owner. The matter is further complicated by selections made by Eklutna, Inc., pursuant to the Alaska Native Claims Settlement Act.

The Solicitor's Office in Anchorage is currently trying to untangle this situation. How do you propose to resolve this situation with a reduced budget?

Answer: The Regional Solicitor for the Alaska Region has just recently hired two additional staff attorneys, bringing the number of attorneys on his staff to a full complement of eight. The Regional Office will be able to handle the admittedly complicated land situation along the Old Glenn Highway.

Question Submitted by Senator Jake Garn

State of Utah Geological and Mineral Survey

Question: On April 13, 1983, Governor Matheson wrote Secretary Watt reiterating Utah's request of last June for designation of the Utah Geological and Mineral Survey as a secondary office of contact for receipt of all mineral-related information for the state. The state has recently enacted new legislation granting authority to protect the confidentiality of all such information. I understand the request is under review in the Solicitor's Office. Given this new authority of the State of Utah and the reasonableness of the request, when can the state expect favorable action on the request?

Answer: The request is reasonable, especially in light of the State's new legislation. The Solicitor's Office will shortly send Governor Matheson a reply to his questions, specifically treating the effect of the new State law on the problem of federal-state sharing of proprietary-confidential data. The Governor requested two classes of proprietary information: mine plan data and coal exploration license data. The former will be wholly available to the State when it assumes responsibility under the Surface Mining Act for permitting mining of federal lands under a cooperative agreement. The second class of information is by law (30 U.S.C. § 201(b)(3)) to be kept confidential until issuance of a coal lease. The passage of the state law raises the novel question with both classes of data whether data are still confidential outside of the federal government as long as they are not in the hands of the submitter's business competitors. Finally, the applicability of 18 U.S.C. § 1905, which makes it a crime for federal officials to disclose certain types of "trade secrets," must be determined.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m. on Wednesday, April 27, at which time we will review the fiscal year 1984 estimates for the Land and Water Conservation Fund.

[Whereupon, at 2:54 p.m., Tuesday, April 26, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, April 27.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, APRIL 27, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Huddleston.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

LAND AND WATER CONSERVATION FUND

STATEMENT OF JOHN B. CROWELL, JR., ASSISTANT SECRETARY, DEPARTMENT OF AGRICULTURE

ACCOMPANIED BY:
F. DALE ROBERTSON, ASSOCIATE CHIEF, FOREST SERVICE
RICHARD D. HULL, DIRECTOR FOR LANDS, FOREST SERVICE
ROBERT E. GORDON, DEPUTY DIRECTOR FOR PROGRAM DEVELOPMENT AND BUDGET, FOREST SERVICE

PREPARED STATEMENT

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1984 Land and Water Conservation Fund appropriations request for the four land-acquiring agencies funded through this subcommittee: the Forest Service, the Bureau of Land Management, Fish and Wildlife Service, and National Park Service.

We will also review the fiscal year 1984 appropriations request for the asset management program for the Forest Service and the Bureau of Land Management.

We have a number of witnesses scheduled to appear today in support of these requests. We will start with the Forest Service, and it is then our plan to move in order to the BLM, the Fish and Wildlife Service, and the National Park Service.

Our first witness will be Assistant Secretary of Agriculture John B. Crowell, Jr. and Associate Forest Service Chief F. Dale Robertson.

If the gentlemen will come forward.

We appreciate your attendance, Mr. Muss, and understand you will be available for questions if any members are so inclined.

The statement of Mr. Crowell will be inserted in the record in full at this point, and we will proceed directly to the questions.

Mr. CROWELL. We thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF JOHN B. CROWELL, JR.

I welcome the opportunity to appear before you today to discuss the 1984 Land and Water Conservation Fund budget and the asset management program for the Forest Service. I am accompanied by F. Dale Robertson, Associate Chief of the Forest Service.

It is our policy to focus the limited Federal funds available on better management of the lands we already have under our stewardship rather than add to our already vast holdings. Thus the L&WCF program is being proposed at slightly more than $10 million. The proposed budget will allow the Forest Service to meet some pending court deficiency awards, to work on existing carry over land purchase cases, and to fund cash equalization needs for land exchanges. Associate Chief Robertson will discuss our recent accomplishments in L&WCF and our plans for 1984.

Concerning the asset management program, last year the administration initiated this effort with the following objectives in mind: To sell excess Federal property and some public lands that would have a higher and better use in private ownership; to improve the efficiency of Government by eliminating the need to manage property or lands that are costly and inefficient and not necessary to serve public objectives; and to pay off some of the national debt.

From the onset, we have made it clear that all congressionally-designated areas, such as wildernesses, wild and scenic rivers, national recreation areas, and national monuments, would not be proposed for disposal. These categories alone total about 51 million acres. Only 60,000 acres have been identified and announced as meeting criteria for disposal and as being eligible for sale under existing legal authorities. However, even that infintesimal fraction of the national forest system will be subject to further review, including opportunity for public comment before actually being put up for sale.

The Forest Service has made a quick review of the remaining 140 million acres of national forest system land to identify tracts which should clearly be retained in public ownership and those which should be subject to intensive study for possible disposal. As a result of this review, it has been determined that only 6 million acres will be more intensively studied.

Maps displaying the lands in each national forest and region that make up the 6 million acres are available for review at each forest supervisor's and regional forester's offices. A complete set of maps is also available for review in the chief's office.

The administration will shortly propose legislation to broaden the authority of the Secretary to dispose of unneeded national forest system lands. Only after enactment of this legislation is it intended for the Forest Service to begin in-depth review of the lands selected for intensive study. The in-depth review will include full participation by State and local governments and by the public.

Uncertainty about the legislative proposal prevented us from requesting funds in the 1984 budget for administration of the asset management program. When the legislation is enacted, we will evaluate our needs and submit a proposal to the committee to finance the implementation of whatever programs are ultimately authorized.

After Associate Chief Robertson provides an overview of the Land and Water Conservation Fund program, we would be happy to address any questions that the committee may have.

IMPACT OF ASSET MANAGEMENT ON LAND EXCHANGE PROGRAM

Senator McCLURE. Mr. Crowell, the Forest Service has had an active land exchange program for many years. For example, in total for fiscal year 1982 and fiscal year 1983 this committee provided over $12 million to facilitate Forest Service exchanges.

The Forest Service estimates that during the past 3 years over 500 exchanges have been approved. As a result of the administration's asset management program to identify Forest Service land that could be sold to reduce the national debt, the Forest Service's land exchange program will not be as active in fiscal year 1983 or in fiscal year 1984.

Do you have an estimate of how much of an impact the asset management program will have on the land exchange program?

Mr. CROWELL. I can report to you the consequences it has had so far, Mr. Chairman. Last August, when we first announced the Forest Service participation in the asset management program, we suspended operation of the land exchange program until we could carry out the first step of performing a quick review of the 140 million acres of national forest system lands that were going to be subject to the review. The review did not include approximately 50 million acres which has already been congressionally designated in some form or another.

Following the completion of the review, which identified 6.1 million acres for further study, with the possibility that some or even all of that might eventually be recommended for sale, we expect to resume the exchange program, as it would operate so long as it doesn't affect that 6.1 million acres that is subject to the further study.

The exchange program will be gearing up again to operate as it has in the past, but on a land base which is 185 million acres rather than 191 million, until the disposition of 6.1 million acres identified for further study has been decided.

Senator McCLURE. On August 11, 1982, and again on October 15, 1982, the Forest Service provided guidance to the field that specified the limited circumstances under which exchanges which were underway could proceed. These cases were:

One, when the non-Federal landowner has committed significant resources to the exchange, such as appraisals or actually acquiring lands, prior to August 7, 1982;

Two, when the non-Federal land to be acquired was of the highest priority; and

Three, the savings to the Government in administrative costs will exceed the estimated sale value of the land to be exchanged.

Any new exchange would be initiated only if it would otherwise cause undue hardship. Has the Forest Service evaluated the long-range impacts of selling land versus retaining land for future exchanges?

Mr. CROWELL. The criteria that you just referred to, Mr. Chairman, are the ones which we applied in developing this moratorium on exchanges. The criteria did permit some exchanges to go forward.

Now, having completed the quick review of 140 million acres and ending up with 6.1 million acres to be further studied, we have proposed that the land exchange program be resumed on the rest of the national forest system.

Senator McCLURE. Senator Huddleston, would you like to ask a question or two?

CRITERIA USED IN IDENTIFYING 6.1 MILLION ACRES

Senator HUDDLESTON. Thank you very much, Mr. Chairman.

Gentlemen, in the news release by the Department of Agriculture earlier this month, unneeded property was defined as—and I quote—"the property that could be disposed of without adversely affecting the activities of the agency."

It appears to me the administration's definition of "unneeded property" is limited to what is convenient for the Forest Service. The question is at what point is the public interest considered in selecting parcels for further study and possible sale?

Mr. CROWELL. I think the public's interest was considered to a very high degree, Senator Huddleston, in developing the criteria which were used to identify the 6.1 million acres. It meant out of 140 million acres 134 million were identified for the retention category because of the public interest concerns and because they would quite clearly continue to serve the public interest aspects of the National Forest Management Act direction supplied by Congress.

Senator HUDDLESTON. Did you have some method or some criteria to use in determining what the public interest might be in a specific parcel being considered for sale?

Mr. CROWELL. Well, you recognize that of the 6.1 million acres that we have identified for further study, the specifics of the public interest in having the lands retained versus the public interest in having them sold will be very carefully evaluated.

The original identification of the 6.1 million acres has been done on a rough basis, if you will, a first-cut basis.

Senator HUDDLESTON. Principally by just looking at maps, I take it?

Mr. CROWELL. Excuse me, sir?

Senator HUDDLESTON. Principally by just looking at maps?

Mr. CROWELL. Yes; and applying criteria which were provided to identify isolated parcels or parcels which were in a single-use permit and which were unlikely to be required for public use in the future.

Senator HUDDLESTON. But you didn't conduct any kind of hearing or survey of the sites?

Mr. CROWELL. No, sir. That is left for the more intensive study aspect. It will involve public participation procedures.

Senator HUDDLESTON. For each plot that is to be considered for sale?

Mr. CROWELL. Yes; each plot isn't going to be separately considered in a separate hearing, but I would think that it will be handled on a forest-by-forest basis and that all parcels or plots that have been identified by that forest would be subject to the public hearing procedures at that point in the study process.

Senator HUDDLESTON. What was the criteria used in looking at the parcels and making a determination as to which parcels would be set aside for further study or considered for possible sale?

Mr. CROWELL. The basic criterion was trying to identify parcels that were isolated from the main body of the national forest system land or which were surrounded by or heavily intermingled with private ownerships. Those two criteria were the ones that identified most of the acreage that ended up in the 6.1 million category.

Senator HUDDLESTON. At what level were the decisions made to include or exclude particular parcels for further study?

Mr. CROWELL. The application of the criteria would have been made at the forest level. The criteria themselves, however, were developed here in the Washington office in consultation with my office.

Senator HUDDLESTON. I see. You just sent the criteria, then, out to each forest division and they picked the property that they felt met the criteria?

Mr. CROWELL. That is correct, sir.

Senator HUDDLESTON. I understand the administration's original intent was to broad authority from Congress to sell any parcel that met a general set of criteria.

Does the administration still intend to seek broad authority to sell these parcels of land, or will you request authority to sell each specific parcel?

Mr. CROWELL. We believe there is a middle course to those two proposals you just set out, Senator.

Originally, we had thought in terms of asking for quite broad authority, with some criteria that might be spelled out. As a result of further analysis and as a result of input from Members of the Congress on this issue, we have presently under consideration the possibility of limiting the legislative proposal to something much more specific than general criteria.

The Federal Land Policy Management Act of 1976 provides authority, under "General Criteria," to the Bureau of Land Management. The Forest Service doesn't have anything comparable.

Originally, we thought we might try to develop something comparable. Now we are not so sure that it will receive acceptance by the Congress, and so we are looking for a way it might be narrowed and a way that would make it more readily acceptable to the Congress.

Senator HUDDLESTON. What is the status of the administration's legislative package?

Mr. CROWELL. Still very much in gestation, sir.

Senator HUDDLESTON. You haven't put it together yet?

Mr. CROWELL. No.

STATUS OF LAND IN "HELD FOR FURTHER STUDY" CATEGORY

Senator HUDDLESTON. In regards to the status of the parcels designated for further study; are such parcels in a state of limbo? Will there be no further improvements in recreational areas or will access to these parcels be altered in any way, pending completion of the study?

Mr. CROWELL. I would say that they are not in a state of limbo in the sense of nothing more will be done with them, but I would say that we have to exercise some good judgment about not building a campground, for instance, and making the investments that would entail on a piece of ground that might very well end up being offered for sale.

This will require the same kind of ongoing management decisions that we ask of our forest supervisors and district rangers anyway. We ought to be making the best investment of available funds that we can, and it clearly wouldn't make any sense to make an investment in an area which might be identified as being eligible for sale.

PUBLIC PURPOSES ACT

Senator HUDDLESTON. In the area of public participation again and the consideration that may have been given to what is actually happening on some of the land; I understand, for instance, in Kentucky that the State uses a 60-acre parcel of national forest system land to grow seedlings. That parcel is being studied for possible sale. I was wondering if the State had any opportunity to participate in the decision as to whether the land should be sold; or whether the public had a chance for any input.

Mr. CROWELL. So far as I know, neither the State nor the public would have had input at this stage. However, one of the criteria that was applied was if it is under single-use, special permit, which it sounds like this particular 60-acre parcel would have been, that by itself would have identified it as being studied for possible future sale.

One of the things that has to be taken into account, when we talk about sale of any acreage that is subject now to permit, would be a system which would allow the permit holder to have some rights of first refusal and a fair price to acquire the lands so he can continue in the use which tended to identify it for sale in the first place.

Senator HUDDLESTON. Can we do that under present law?

Mr. CROWELL. No, sir. It will require new authority.

Senator HUDDLESTON. Otherwise, it would have to go out for bids, I take it?

Mr. CROWELL. Well, even now we can't sell national forest system land even by putting it out for bid.

Senator MCCLURE. Would the gentleman yield?

Senator HUDDLESTON. Sure.

Senator MCCLURE. Isn't it possible for you to declare that 60-acre plot surplus for Forest Service needs and available under the Public Purposes Act?

Mr. CROWELL. Not if it is in the national forest system. To my understanding, it has to be in some other category. Most of the 191 million is in the national forest system and therefore not eligible for sale under current authority.

Senator MCCLURE. But if the statute were modified so you could declare it excess, then it could be made available to States and local governments under the preference established under that other act?

Mr. CROWELL. Yes, that would be one way to approach it. I would think, since the Congress would have to be addressing the possibility of allowing any present permit holder to have some sort of right of first refusal, it would be handled in that context equally well.

VALUE OF ACRES IDENTIFIED FOR POSSIBLE SALE

Senator HUDDLESTON. If all the 6 million acres that have been selected for study were sold, what is your estimate of the revenue it would produce?

Mr. CROWELL. We have no idea what that might be, Senator Huddleston.

Senator HUDDLESTON. You have no idea?

Mr. CROWELL. No, sir. No attempt has been made to estimate that fact. I would be astonished if 90 percent of that land were ultimately identified for sale.

I really think the public participation and intensive study process is going to weed down that 6 million acres to some degree.

Senator HUDDLESTON. Well, I don't disagree that to a certain extent there are some parcels of land we ought to sell and that we would benefit from selling. I am wondering why the administration doesn't propose to take the revenue that might be generated to either improve what is left or seek other parcels that would enhance the forest system.

Any consideration given to that?

Mr. CROWELL. Yes, sir, there is. You are not the first Senator or Congressman to suggest that possibility, but it does seem to us to have some potential merit.

Of course, one has to keep in mind what generated the whole idea of selling land. It was the continuing annual deficits and the increases to the Federal debt. The logical thought process at that time was how to deal with that very difficult problem. One possible answer was to sell some of the assets that the Federal Government controls and owns.

If the funds were earmarked for other uses, that would be accomplishing the purpose, provided that they weren't add-ons to the moneys already being made available for these kinds of purposes.

If there were substitutions, for instance, for land and water conservation funds, which might otherwise then be freed up for simple general retention in the Treasury, that would accomplish the underlying motive that generated the Property Review Board and the review of the Federal land ownership in the first place.

Senator HUDDLESTON. I think this subcommittee is sensitive to the deficit.

Mr. CROWELL. I hope every subcommittee in the Congress is sensitive to it.

Senator HUDDLESTON. I would also be concerned about a one-time short-term gain that might be a longtime detriment to our national forest system.

Mr. CROWELL. Yes. Obviously, the administration is sensitive to that, although we may not be given credit for it in all circles.

Senator HUDDLESTON. Thank you, Mr. Chairman.

LEGISLATIVE PROPOSAL FOR LAND DISPOSAL

Senator MCCLURE. Thank you, Senator. I wanted to pursue just a moment the question that—I'll tell you where I'm headed, and then perhaps the questions I ask can be can fitted into that response.

As you know, the Forest Service has now identified a little over 6 million acres of National Forest Service lands that you will study further for possible disposal. I think we should understand that disposal is not necessarily just sale; it could be exchange; it could be State land selections; it could be exchanges with other governmental units or with private land owners as you have under your other exchange program, for whatever purpose it may accomplish. Sometimes you make exchanges to block up lands that are in the management of the Forest Service and sometimes it makes sense to take 40 acres that's detached and exchange it for 40-acre inholding, where the values are relatively equal and it enhances your ability to manage, decreases the cost of management.

There are a variety of reasons for exchange, a variety of ways in which the land might be disposed of. My State still has some selections they are entitled to make under the Statehood Act. In spite of the fact we have been a State since 1890, not all of those selections have been completed. There are some in lieu selections that have been affected by several statutes since that time. But all I'm trying to underscore is that not all of this land simply moves out on the auction block to public sale; it may, indeed, move in a different direction.

Mr. CROWELL. Mr. Chairman, if I might interject at this point.

Senator MCCLURE. Yes, sir.

Mr. CROWELL. I'm not sure, in all fairness, we considered some of the aspects that you have just indicated. I think we approached the study or the identification that resulted in identifying the 6.1 million acres with the purpose in mind that the land would be sold and that we would have other authority for exchange.

Senator MCCLURE. The first thing under your criteria you will identify are almost exactly the same lands that I usually utilize in the same program.

Mr. CROWELL. That's right; yes, sir.

Senator MCCLURE. That's one of the reasons I'm asking the question. There are a lot of people who will look either at exchange or special use permits, whether they're local governments or the State of Kentucky or others who have special uses on isolated tracts, and oftentimes, they are isolated tracts, in areas that you have now kind of clouded. What it is you are going to do with existing uses of existing authorities. You have identified in your statement, for example, that the Forest Service has not requested any funding in fiscal year 1984 for the asset management program, on the basis that the Forest Service does not intend to proceed with its in-depth review of the 6 million acres of National Forest lands selected for intensive review until after enactment

of legislation authorizing the Secretary to dispose of unneeded national forest system lands.

Now we have had several conversations about this in the past—and I'm not the only one that you have had conversations with—about how quickly or in what manner the Congress is likely to grant broad general sale authority. But I have made it clear that I, from my own standpoint, do believe it's likely that Congress will or should provide you with broad-scale authority until we have a complete lands inventory and a sales proposal in hand.

Now, you have not asked for any money to do this. You have indicated that you are not going to study it until you get the authority. But it stands in the way of a customary management on exchanges or permits and clouds the use of this land until this process is completed; isn't that correct?

Mr. CROWELL. I think that analysis is correct. I would agree with that. As I indicated in responding to Senator Huddleston's questions, we are trying to be responsive to some of the concerns that we have heard from you, Mr. Chairman, and from others in shaping the legislative proposal. In fact, it was after hearing some of the concerns from Members of the Congress that we felt we would identify the 6.1 million acres to the public. We would then have public reaction, which we could use to shape the proposal in a way Congress might find useful in reacting to whatever proposal we might generate.

My hope is that once we come up with a proposal that first the Congress will find it to be reasonable, that it is fairly well tailored to the major concerns that the Congress expressed on this particular issue and that action could be taken fairly rapidly so that the crowd which you identified would no longer be overhanging the 6.1 million acres. We would then be able to proceed in accordance with the statutory authority and to then proceed with whatever sales might be regarded as appropriate at the conclusion of those studies.

ASSET MANAGEMENT EXPENDITURES

Senator MCCLURE. How much has the Forest Service spent to date to develop the first phase of this inventory?

Mr. CROWELL. I can only answer that generally to say that most of the expense, I am told, went into the development of maps for each one of the national forests. Sets of the maps were made available to the committees with jurisdiction here in the Congress and some sets were broken up to go to the Governors and to the regional officers of the Forest Service and to the individual national forest offices. We haven't had anything like a major expansion yet.

Senator MCCLURE. Well, in October or November of last year, in response to a question that we had asked, you said, then, your estimate of expenses to date and to be made during 1983 would approximate $1.5 million in the first phase.

Mr. CROWELL. I don't remember that. I didn't have a hand in developing that estimate, but I have to ask some of the Forest Service people

with me at the table, whether they might respond more specifically to that at this point, Mr. Chairman.

Mr. ROBERTSON. Yes, Mr. Chairman, that estimate was made early in the process. We now believe that the actual amount of money we spent is somewhere around three-quarters of a million dollars.

Senator MCCLURE. And what you have spent so far is asking the rangers in each district to respond to the criteria set out. That information was sent to the forest supervisor in each forest, he then looked at that information and made his judgment, sent it to the regional office for evaluation and at each of those steps they could have subtracted lands and then send it to Washington for your review; isn't that correct?

Mr. ROBERTSON. Yes, sir.

Senator MCCLURE. Isn't that a correct identification of the process?

Mr. ROBERTSON. Yes.

Senator MCCLURE. So it's been simply to this point an identification of lands from maps based upon the criteria for what are isolated tracts. You used at first a very large figure and, second, a smaller figure. If there are tracts of land less than 60,000 acres, you would consider it, is that correct?

Mr. ROBERTSON. Our original criteria was 100,000 acres in the West and 30,000 acres in the East, after we looked at the maps, we made some judgments on those large tracts.

Senator MCCLURE. And it was on the basis of that kind of broad general criteria that the rangers made the first analysis, the forest supervisors made a review of that analysis, adding and/or subtracting from the recommendation; it flowed through to the regional office, where they did the same thing, and then came to you, and that's the work you have stated at about three-quarters of a million dollars?

Mr. ROBERTSON. Well, included in that is also the work we have done on the 60,000 acres that we previously identified for sale. I might say that this was pretty much an office job. There was no initial data collected in the field. It was done by people familiar with the ground, and then applying that knowledge to maps. Basically, it was an office job.

Senator MCCLURE. And I think it is fair to note that while you characterize it as an office job that did not require additional field work, it was done by people who are already familiar with the ground. They had within that office the description of the ground, its nature, its use, its general character, so it wasn't simply a matter of uninformed people looking at a map and saying here's 40 acres, let's put that on the list.

Mr. ROBERTSON. No; it was our most knowledgeable people that are familiar with the forest.

Senator MCCLURE. What will it cost the Forest Service to complete this review?

Mr. ROBERTSON. We have stated, to the extent we get into intensive studies, that it will run about $8 an acre.

Senator MCCLURE. I don't know how you arrived at the $8, but if I go back and apply that to the 6 million, I get just less than $50 million that you expect it to cost.

Mr. ROBERTSON. Yes. When we get into a detailed study of the 6 million acres, it would be performed over a period of years.

Mr. CROWELL. It makes you wonder if you still want us to do that intensive study, if it costs that much.

Senator MCCLURE. If we would look at a subset, we get a different average, wouldn't it? And that's an average figure, but there is some subsets that would be somewhat different. For instance, excess administrative sites, research areas that are no longer used as research areas, lands dispose of under title III of the Bankhead-Jones Farm Tenant Act, for which the Government retained a reversionary interest; lands needed for community expansion in the Eastern States, and perhaps in some instances, maybe in the Western States, but in the Eastern States where the Townsite Act does not apply. And you might even include inthat acquired lands currently under Federal and non-Federal water projects where Federal control of the service is not needed.

Those wouldn't require the same kind of review that the others would, would it?

Mr. CROWELL. No.

Mr. ROBERTSON. That's right.

COMPLETION OF INVENTORY WORK ON ASSET MANAGEMENT

Senator MCCLURE. Well, if you don't include your inventory work until Congress enacts disposal legislation, and if Congress refuses to consider disposal legislation until you have completed your inventory, how long do you think this is going to last in limbo?

Mr. CROWELL. Well, you're describing a stand-off which we wouldn't be a party to for very long. I think that if Congress made it clear that the only way they would consider authority, would be if we were to complete intensive studies, we would have to evaluate what the costs would be and how soon we could do them. We would come back and make some sort of request that would be appropriate under those circumstances.

What we are very hopeful of, is that the legislation that can be shaped would not require the completion of the intensive studies before the legislation would be adopted. We hope that there be enough safeguards built into the legislation so that Congress would feel comfortable in passing it and giving us the authority to proceed with the studies.

Senator MCCLURE. You will not study all 6 million acres intensively, will you?

Mr. CROWELL. Our plan would be to study them with more or less intensity, until it is pretty clear what falls out of that study process is a clear decision either to retain or to sell.

Senator MCCLURE. Haven't you, as a matter of process, at this time produced the maps which have kind of in gross identified areas which are under consideration?

Mr. CROWELL. Right.

Senator MCCLURE. Those are now available to the public?

Mr. CROWELL. Yes.

Senator MCCLURE. The forest supervisor's office has copies of those maps and the public is entitled to come to the forest supervisor's office and take a look at those maps and make whatever comments they wish concerning them?

Mr. CROWELL. That's correct, for that forest.

Senator MCCLURE. Isn't it quite possible that in the process, the Forest Service will decide some of those acres are not suitable for disposal, for reasons identified in that process?

Mr. CROWELL. Yes, that is possible.

Senator MCCLURE. And if that is true, they would then be dropped from the list?

Mr. CROWELL. Yes. And that's why I say sometimes it would require relatively nonintensive studies to make that decision. In other cases, studies would have to be carried out to a fairly high level of sophistication, in order to balance the considerations that might be appropriate in ultimately arriving at a decision for retention or for sale.

TARGETS FOR LAND SALES

Senator MCCLURE. What is your fiscal year 1984 sales target in terms of acres and dollar receipts?

Mr. CROWELL. The President's budget does call for generating $200 million from the sale of national forest system lands in 1984. But that's the only criterion we have at the current time.

Senator MCCLURE. The Forest Service has given us an acreage figure in the past of 240,000 acres; is that correct?

Mr. ROBERTSON. Yes; we gave you an estimate of how many acres we thought it would take to come up to the $200 million.

Senator MCCLURE. It was derived backward from the $200 million figure?

Mr. ROBERTSON. Yes.

Senator MCCLURE. With no request for funds and no authority to sell, how are you going to do that?

Mr. CROWELL. At the time we receive the authority to sell, we will make the request for funds.

Senator MCCLURE. You know what your target is— 240,000 acres. Why don't you ask for funds now for the 240,000 acres?

Mr. CROWELL. Because we don't want to spend the funds until we have the authority. It's a chicken-and-egg situation.

Senator MCCLURE. Congress doesn't want you to spend the funds and will not give you the authority until you spend the funds?

Mr. CROWELL. Well, if that turns out to be the case, we are going to reevaluate this whole proposed method of proceeding. But we are hoping that we can persuade the Congress that we ought to be allowed to proceed and they ought to give us some authority to sell, which is fairly well restricted, and we can then proceed with the studies.

Senator MCCLURE. Would you provide for the record the number of acres which are included within the 6 million acres by those categories

that I previously recited—excess administrative sites, unneeded research areas, et cetera.

Mr. ROBERTSON. We have that, and we will do so.

[The information follows:]

SPECIFIC CATEGORIES INCLUDED IN 6.1 MILLION ACRES

The data we have is organized by slightly different categories but covers the question.

Unneeded national forest system administrative and research sites with national forest status (1,532 acres).

Lands subject to a possibility of reverter which have been disposed of under title III of the Bankhead-Jones Farm Tenant Act but for which, by law, the Federal Government retained a reverter in the event the lands should cease to be used for a public purpose. Approximately 1 million acres—but not included in the 6 million acre further study figure.

Land essential for community expansion in the eastern States, where the Townsite Act does not apply (6,000 acres).

Lands suited for community expansion but where communities cannot or do not want to acquire the properties (53,772 acres).

Acquired lands inundated by non-Federal water projects licensed by the Federal Energy Regulatory Commission where Federal control of the surface is not needed (46,000 acres).

LAND MANAGEMENT PLANNING

Senator MCCLURE. BLM is requesting about $18 million in fiscal year 1984 to support its sales program of 250,000 acres, estimated to generate receipts of $300 million.

Is that estimate in line with your own experience?

Mr. CROWELL. My immediate reaction is it sounds like it's in line with our figure. The reason BLM can be ahead of us in requesting funding is because they already have authority to make sales.

Senator MCCLURE. Well, I'm concerned about the hiatus and I'm also concerned about the fact you view the asset management program as a bar to the continuation of the land management planning process, which has heretofore identified lands that ought to be exchanged and made available for exchange.

Mr. CROWELL. When you said that you view it as a bar to the land planning process, you then went on, as I understood you, to say it was only that part of the planning process that would identify lands that might be eligible for exchange.

It does not in any way impact the land management planning process. We would be free to continue with the land planning process without regard to the asset management program.

Senator MCCLURE. In your land management planning process, are you identifying tracts as having high exchange or sales potential?

Mr. CROWELL. I am advised that part of the planning process does involve or has heretofore involved identifying lands which would be the best candidates for exchange.

We haven't done anything about identifying land for sale because that of course hasn't been addressed before.

EFFECT OF ASSET MANAGEMENT ON FOREST MANAGEMENT PLANS

Senator McCLURE. All right. Then the land management process will only identify those that would have been suitable for exchange under prior criteria for exchange and doesn't directly relate to the asset management program?

Mr. CROWELL. That is correct. The way we have been applying it up until now.

Senator McCLURE. Does that mean you will have to amend a few forest management plans and to conform to the asset management program?

Mr. CROWELL. No; the way we would be approaching the identification of land to be identified for sale would be through the same kind of process—NEPA, the National Environmental Policy Act and public participation requirements that now go into land management plans.

Once that's all finished, you could go either as an independent decision or as an amendment to the plan.

As you know, Senator, we currently do not have any plans completed.

Senator McCLURE. That is what is concerning me. If suddenly we complete the forest management plan, then have to start all over again to accommodate the asset management program, where does that leave us?

Mr. CROWELL. No; it wouldn't conceivably involve us with the general amendments to the land plans, God forbid.

Senator McCLURE. God doesn't intervene in the affairs of men, to the extent of interfering with the forest management planning. And I am concerned, because it has been suggested that if there is some degree of disposal of lands that changes the application for your forest management plan, it would invalidate your forest plan.

Mr. CROWELL. I don't think any one forest would have so much land eventually identified for potential sale that it would substantially change the results of the planning process.

As a matter of fact, if it did, that would be a reason why some of that land at least ought to be retained.

Senator McCLURE. For example, I looked at a public meeting in Malad, Idaho, with the ranchers using the Caribou National Forest, and while the land sales proposals in that area, with the exception of one tract, are not very large, they will affect base ownership patterns and grazing patterns on allotment units, even though they are relatively small tracts.

Mr. CROWELL. Well, of course, that's one of the kinds of specialized problems that would have to be addressed again at the point where we recommend a land for sale or for retention.

If it has in the aggregate an extremely disruptive effect to the purposes for which the national forest is being used or administered, then that's going to bear very heavily on the final decision about recommendation for sale or for retention.

Senator McCLURE. Well, in some areas of the country it turns out to be a relatively high percentage of the total, and in other areas it may not be.

In my State, it's nine-tenths of 1 percent, but in Illinois it's 27 percent; in Mississippi it's 24 percent; in North Dakota it's 22 percent; in Ohio it's 36 percent.

Now, those percentages are high enough to begin to affect the land management plan, it seems to me.

Mr. CROWELL. Yes; they would if all of these ended up being recommended for sale.

Senator McCLURE. And I just picked them out at random from the list.

The point I'm making is that these 6 million acres have not been recommended for sale. They are being recommended for further intensive study.

But we have gone that round before. Until we give authority, you won't study; until you have studied, you won't get authority, and therefore the whole thing is in limbo. You have not asked for any money and it looks like we're in a hiatus for the balance of 1983 and all of 1984.

Mr. CROWELL. I don't see it that way at all, Mr. Chairman.

As I say, I think this process of involving, the way we are going to deal with the national forest lands subject to the assets management program is going to prevent any long-term hiatus.

I think both the executive branch and the Congress intent is that we work together so there won't be a limbo situation established that goes on for any disruptive length of time.

ACRES ORIGINALLY IDENTIFIED FOR FURTHER STUDY

Senator McCLURE. Do you recall how many acres were recommended for further study by the regional foresters' asset management program?

Mr. CROWELL. Out of the 6 million acres?

Senator McCLURE. No, out of the total. You have 190 million acres and about 40 or 50 million acres of that—51 million acres—were determined to be the highest priority to be retained in Federal ownership by your own judgment or by congressional designation.

That reduced the total to about 140 million acres. Out of that, you have now reduced it down to 6 million acres.

If I am correct, the first selection was made by rangers, the second by the forest supervisors, and it was at that level I asked the question. What was the acreage recommended by the forest supervisors?

Mr. ROBERTSON. We don't have that figure. It was a joint agreement between the levels on what was to be recommended.

Senator McCLURE. A joint agreement between whom?

Mr. ROBERTSON. Well, the rangers and the supervisors met and discussed it and the supervisors and the regional foresters and so on.

Senator McCLURE. Well, that's kind of like when I have a meeting with my staff. We consult together and then we decide whatever it is I decide. [Laughter.]

Isn't that right?

Mr. ROBERTSON. That's a fair assumption.

Senator MCCLURE. Isn't that the way the consultative process works between the rangers and the supervisors?

Mr. ROBERTSON. No; as I say, the supervisors had a lot of influence on the regional foresters, and the regional foresters had a lot of influence on the chief.

But we do not have the initial figure.

Senator MCCLURE. My information was it's between 12 and 20 million acres—at that level—which was then reduced to about 6 million.

Mr. ROBERTSON. What we had was inconsistency in analyzing the criteria, so there was a large effort at the higher levels of the organization trying to get a uniform and consistent application of the criteria.

Senator MCCLURE. I'll have some further questions to submit for the record, but I am concerned that we don't prolong the hiatus.

Let's get that issue resolved some way so that the exchange can go forward. There are sound reasons for exchanges that can be accomplished outside the asset management program, and that can be accommodated within it as well, and one should not be a bar to the other.

Mr. ROBERTSON. I share that concern, as I think I have already indicated, Mr. Chairman, and I hope that working together we will be able to prevent any such hiatus from occurring for very long.

LAND AND WATER CONSERVATION FUND

Senator MCCLURE. Let's turn now to the Forest Service Land and Water Conservation Fund. The Forest Service is requesting $10,070,000, down $46,807,000 or 79 percent from fiscal year 1983 appropriations to date.

The $10,070,000 proposal is to be distributed as follows:

$4 million for Land and Water Conservation Fund program administration; $3 million for deficiencies and court awards; and $3 million for preparation and cash equalization for exchange cases.

What are the specific deficiencies and court awards anticipated in fiscal year 1984?

Mr. ROBERTSON. Well, we have several cases in the court right now. We have a couple from the boundary waters canoe area dealing with resorts and a couple of properties on the wild and scenic river in Missouri. I'm not aware of all the other cases.

Senator MCCLURE. Could you supply that for the record?

Mr. ROBERTSON. Yes, we could.

[The information follows:]

SPECIFIC DEFICIENCIES AND COURT AWARDS FOR 1984

The specific deficiencies and court awards anticipated in fiscal year 1984 include:

Apline lakes	$125,000
Appalachian Trail	138,000
Sawtooth National Recreation Area	580,00
River of No Return Wilderness	1,500,000
Boundary Waters Canoe Area Wilderness	260,000
Eastern Wilderness	4,400,000
Eleven Point River	1,050,000
Cascade Head Scenic Research Area	205,000
Total	8,258,000

Some of these represent situations where the legislation establishing the area created a legislative taking, and a claim against the United States could develop at any time such as occurred in fiscal year 1982 with the court award in the Apline Lakes Wilderness.

The $3 million estimated in the President's budget for 1984 represents possible awards from any of the above areas.

RESORT OWNERS ELIGIBLE FOR BUY OUT

Senator McCLURE. In the boundary waters canoe area, how many resort owners are still eligible for buy out?

Mr. ROBERTSON. In our fiscal year 1983 program we proposed to purchase nine resorts, and after that we would have a balance of 17.

Senator McCLURE. You expect to complete those nine in 1983?

Mr. ROBERTSON. Yes.

Senator McCLURE. How many do you anticipate requesting in 1984? All the remainder of 17, or is that going to be spread over more than 1 fiscal year?

Mr. ROBERTSON. I would expect that to be spread over more than 1 fiscal year.

Senator McCLURE. Do you know?

Mr. ROBERTSON. Since it's voluntary, no, we do not have an estimate of how many.

Senator McCLURE. You don't know from those 17 what their expectations are?

Mr. HULL. It's quite likely that some of them will never sell. It's an option available to them to come to the United States and offer the property. Some of them may never do that, so it may carry on for quite some time.

Senator McCLURE. But you don't have any idea at the present time as to—you don't have in your planning process any idea of which of the 17 or how many of the 17 will come in?

Mr. HULL. Right now we think two.

Senator McCLURE. Two of the seventeen will?

Mr. HULL. Yes.

Mr. CROWELL. Mr. Chairman, Mr. Hull was unintroduced to you and the rest of the panel, nor was Mr. Gordon, who is on Mr. Robertson's right.

Senator McCLURE. Thank you. Does the Secretary have an option if presented with a buy-out request, or must it be honored?

Mr. HULL. In the BWCA?

Senator McCLURE. Yes.

Mr. HULL. We believe our responsibility under the act is to make an offer of the value as of the date specified in the act.

Senator McCLURE. It requires you to make it, but it doesn't require you to come to terms.

Mr. HULL. One purpose of the act is to indemnify the property owners against loss and offering them fair market value for the resort as of that date.

Senator McCLURE. And if they agree with you, the transaction is made, and if they don't, you go to court?

Mr. HULL. Well, in the two cases, if they don't accept the appraised value, we will assume that they can sell it for a higher price in the market and will do so. In the two cases where they have gone to court, it was their interpretation that the act is in essence a taking and that we are required to pay the value that they believe is more appropriate than what our appraisal supports.

Senator McCLURE. And if they are right, that would be determined by the court?

Mr. HULL. That will be determined by the court.

Senator McCLURE. According to a condemnation status table, you anticipate about $262,000 in deficiencies in fiscal year 1984; is that correct?

Mr. HULL. Yes, sir.

Senator McCLURE. Is that based on these court cases?

Mr. HULL. Well, there's another group of properties on the Rogue River. The condemnation act has been initiated. One was resolved this last year, and I think there will be four more.

Senator McCLURE. Does the $260,000 include those two you referred to earlier?

Mr. HULL. I'm not sure. We'll have to supply that.

Senator McCLURE. Will you provide that for the record, please?

[The information follows:]

CONDEMNATION STATUS TABLE

The $262,000 in the condemnation status table represents possible deficiency needs in the following areas:

Appalachian Trail	$137,700
Apline lakes	124,600
Total	262,300

APPALACHIAN TRAIL

Senator McCLURE. In one briefing paper provided to the committee, Mr. Robertson, you indicated that the fiscal year 1983 appropriation of $1,360,000 would complete the Appalachian Trail acquisition effort in national forests.

Testimony presented last year by the Appalachian Trail Conference also indicated that an appropriation of about $1,400,000 would complete trail-related acquisitions within the national forest boundaries.

However, a different briefing paper provided to the committee and to staff of subcommittee members indicates that there are still 15.8 miles of trail yet to be acquired at an estimated cost of $3,467,000.

What is the right conclusion for the Appalachian Trail? Have we finished it or not?

Mr. ROBERTSON. No, sir, we have not finished it, and part of the reason why the numbers keep changing is the trail is relocated in several situations to get away from roads or development or whatever the conflict is.

So as the trail is relocated, the numbers keep changing on us.

Senator MCCLURE. What will it take to complete the trail?

Mr. ROBERTSON. My information is that there are 225.7 miles of the Appalachian Trail within the national forest boundary, and we have either acquired or have funding to acquire about 218 miles of that, leaving a balance of 8 miles to acquire for $1.2 million.

Senator MCCLURE. When you say the trail is relocated, is that relocated prior to the acquisition of properties or after you have acquired properties?

Mr. ROBERTSON. Prior to.

Senator MCCLURE. Is there any instance in which you have relocated the trail after you have acquired property on the original location?

Mr. ROBERTSON. I don't know, Mr. Chairman. I would have to supply that for the record.

Senator MCCLURE. Would you supply that for the record, please.

[The information follows:]

APPALACHIAN TRAIL RELOCATIONS AFTER LAND ACQUISITION

Year purchased: 1976. State: Tennessee. County: Carter. Acres: 24.5. Cost: $11,025.

The trail crossed the property to a section of the trail which was on a road. The Appalachian Trail Council requested the trail be moved off of the road to the top of a ridge. This relocation required moving the trail off of the property.

Year purchased: 1976. State: Tennessee. County: Carter. Acres: 10.3. Cost: $6,529.

This tract provided access to a section of the trail that was on a road. The Appalachian Trail Council requested the trail be moved off of the road. This relocation required moving the trail off of the property.

Year purchased: 1981. State: Tennessee. County: Carter. Acres: 0.07. Cost: $100.

This easement had provided access from national forest system land to the trail located on a road. The Appalachian Trail Council requested the trail be moved from the road because of high incidences of crime. The easement was no longer needed.

Year purchased: 1976. State: Virginia. County: Rockridge. Acres: 13. Cost: $3,250.

A section of the trail was moved off of a road. This easement had provided access to a section of the trail on a road.

SAWTOOTH NATIONAL RECREATION AREA

Senator MCCLURE. You have not requested any money for acquisitions in the Sawtooth National Recreation Area.

How many willing sellers do you have in the Sawtooth?

Mr. ROBERTSON. Although we have not asked for any funding for the Sawtooth, we now have from past appropriations a balance of $4.8 million available. That is being used to acquire high priority properties.

The highest has been the Piva property, and we are working with the landowners in that case. We have appraised the land and have made an offer. However, the landowner has now negotiated with the trust for public land, who has also an option on the property. So whichever way it goes, we have adequate funding for that particular case.

We have a contract out now to appraise several other tracts, and I can supply those for the record if you would like.

Senator McCLURE. What was the appraisal on the Piva property?

Mr. ROBERTSON. Three million dollars.

Senator McCLURE. What is the option on that land at the present time?

Mr. ROBERTSON. The option is with the trust for public lands.

Senator McCLURE. And what is the amount?

Mr. ROBERTSON. I do not know that.

Senator McCLURE. All right. How many other willing sellers do you have in the Sawtooth?

Mr. ROBERTSON. I don't have that information with me. I will have to supply that for the record. We are appraising the following tracts: the White Cloud subdivisions, Humphry and Dade scenic easement, Pharris scenic easement, Kemmerer scenic easement, and some lots owned by Mr. Gant.

Senator McCLURE. How many of these are in the priority 1 area?

Mr. ROBERTSON. They are all in the high priority area.

Senator McCLURE. What is the estimated value?

Mr. ROBERTSON. We have a contract out to appraise these properties. We do not have an estimate of the value.

Senator McCLURE. Is there an appraisal ordered on each of these properties?

Mr. ROBERTSON. Yes, under contract.

Senator McCLURE. If you would please provide the estimate for the record so we may consider that in the appropriations request, because it appears that ought to happen in 1984, and you don't have any money in it.

If you have got $4.8 million left and $4.7 million appraised on one tract, that doesn't leave you much for the rest.

Mr. ROBERTSON. Yes, we will provide that for the record.

[The information follows:]

Appraised value of properties within the Sawtooth National Recreation Area

White Cloud subdivisions	$150,000
Humphry/Day scenic easement	500,000
Pharris scenic easement	375,000
Kemmerer scenic easement	670,000
Lots owned by Mr. Gant	20,000
Piva property (option amount)	3,010,000

PROPERTIES ACQUIRED IN ADVANCE OF COMMITTEE APPROVAL

Senator McCLURE. Last year, the Forest Service acquired a property on the Allegheny National Forest, Pa., the Proper tract, in advance of committee approval and also accepted an option on the Jobe tract on the Hoosier National Forest, Ind., in advance of committee approval.

How did that happen?

Mr. ROBERTSON. Well, Mr. Chairman, quite frankly, we made an error on those two cases, and we owe you an apology, as well as the committee, and the landowners that got caught up in the situation.

I have checked into the circumstances as to why this happened, and here are the reasons that I have found out. We basically have three sets of old congressional land oversight requirements for land acquisition in the Forest Service dealing with five different committees, and the one which applies to most tracts is the one required by the National Forest Management Act, to any land exchange or acquisition over $25,000.

The oversight requirements of this committee apply to about 7 percent of our tracts, and that is acquisitions in composites or inholdings—over $150,000.

So as required by the National Forest Management Act, when these cases came to the Chief's office, we sent them to the Agriculture Committee, as required under those oversight requirements, on March 23, 1982.

At the same time, we set procedures in motion to accept those options 30 days later, and unfortunately, we did that and accepted the options on April 22, 1982.

Now, it wasn't until about 1 week after we sent those cases to the Agriculture Committee that we realized that it should also come to the Appropriations Committee. We sent them to these two committees about 1 week later.

At that point we made a procedural error because we did not go back and change our promise card which had previously been set up to accept the options 30 days after submission to the Agriculture Committee.

Now, the error was discovered on June 4, and that was 2 days after the Pennsylvania tract was signed—the deed was signed, recorded, and payment made.

Now, the procedural error was further complicated by a court judgment at that point, by some of our people, because it was not called to the attention of top management in the Forest Service, and as you are well aware, it was not called to your attention. It was not called to our attention until 3 months later, September 3, and at that time we made a decision to immediately notify this committee of the mistake.

Since then, we have admonished our people that were involved and pointed out the basic policy of the Forest Service; that, first of all, to call these matters to the attention of top management and, second of all, that our relationship with this committee should be full disclosure and not withhold information that would tend to mislead you. And for that oversite we sincerely apologize.

Also, we have tightened our procedures to make sure this kind of thing does not happen again.

Senator McCLURE. This is not the only time something like that has happened. There was a similar, but slightly different, occasion in 1980 when the Forest Service obligated money that had been proposed for recision.

I am concerned that they have repeated themselves. I think we got a similar assurance at that time that it would not happen again, and that precise thing did happen again.

Who has the authority to commit the Government to land acquisition? Is it the Regional Forester or Deputy Chief or the Chief?

Mr. ROBERTSON. The authority to accept the options is Mr. Hull, our Staff Director for Lands here in the Washington office.

Senator McCLURE. And is he the one who in this instance authorized exercising the option?

Mr. ROBERTSON. Yes; he did it without knowing that we did not have the approval of this committee.

Senator McCLURE. Is it his responsibility to know that?

Mr. ROBERTSON. Yes.

Senator McCLURE. And I understand in the Pennsylvania acquisition the committee guidelines require that it be submitted for committee approval because it was an approved recreation composite and the costs exceeded $150,000, and I believe that is the case you recited.

Mr. ROBERTSON. Yes, sir.

Senator McCLURE. Now, the proposal submitted to the committee was actually only one-half of the actual acquisition, the Forest Service having required the other one-half of the parcel in a timber-for-land exchange, is that correct? It was an exchange?

Mr. ROBERTSON. I am not sure whether it was land for land or timber for land.

Senator McCLURE. What was the value that was exchanged?

Mr. ROBERTSON. I don't have that information with me.

Senator McCLURE. Would you provide that for the record, please?

Mr. ROBERTSON. Yes, sir.

[The information follows:]

PROPER TRACT (ALLEGHENY NATIONAL FOREST)

The tripartite exchange involved a land value of $234,155.

OVERSITE REVIEW ON TIMBER FOR LAND EXCHANGES

Senator McCLURE. Does any congressional committee currently review timber for land exchange acquisitions?

Mr. ROBERTSON. I don't believe so, Mr. Chairman.

Senator McCLURE. Is there any reason why the acquisitions should not be subject to the same rules, regardless of how it is paid for, whether by cash or by timber or by other land?

Mr. ROBERTSON. That would be logical.

[CLERK'S NOTE.—Subsequent to the testimony the Forest Service notified the committee that exchanges under Weeks Act and related acts involving $25,000 and over are submitted to the Senate and House Agriculture Committees for a 30-day oversight review. Exchanges authorized by acts other than the Weeks Act over $100,000 are submitted to the House Agriculture Committee for a 30-day oversight review. This applies to timber for land exchanges as well as land for land exchanges.]

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. I have a few other questions which I will submit for the record.

I appreciate your testimony today, Mr. Crowell and Mr. Robertson. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Asset Management and Land Exchange

Exchanges not only offer the benefit of disposal of tracts that are costly to manage but they also offer the benefit of acquiring lands that consolidate ownership patterns and thereby reduce administrative costs.

1. Question: In the course of doing your asset management inventory, have you also identified lands that could be used for future exchanges?

   Answer: Yes. The asset management program stimulated interest in exchanges. Approximately 2 million of the 6.1 million acres identified for further study under asset management would qualify for desirable exchange proposals.

   In addition, we have identified 750,000 acres of National Forest System land outside the asset management program in active exchange proposals. The completed exchanges would result in the acquisition of about 1.5 million acres of non-Federal land.

2. Question: Will land exchanges continue to be an active Forest Service objective?

   Answer: Yes, exchanges will continue within areas not identified for further study in the asset management program.

Forest Service/BLM Jurisdictional Transfer Program

In April, 1981, the Bureau of Land Management (BLM) and the Forest Service established a jurisdictional transfer program to provide for swapping lands that improve management efficiency, reduce land management costs, and increase service to the public.

3. Question: Have all potential land transfers between the Forest Service and BLM been identified? How many have been?

   Answer: Most potential transfers have been identified but not all have been evaluated for the costs and benefits. Several opportunities were identified in each of the Western States.

4. Question: How long do you estimate it will take before these swaps are made?

   Answer: This depends on how many transfers are finally agreed to between the Bureau of Land Management and the Forest Service and on the size of individual transfers. It is likely to take several years to complete any agreed upon transfers.

5. Question: How many transfers have been made to date? How many acres and tracts have been transferred? What specific benefits have been realized?

   Answer: There have been no transfers completed to date.

6. Question: How will this program be affected by the asset management program?

Answer: During the study of National Forest System lands identified under asset management, one option we will consider is transfer to BLM. The Property Review Board supports the BLM/Forest Service transfer program.

Land Disposal Guidelines

Let's look ahead hypothetically. Before the Forest Service can complete its inventory activity, and therefore well before any land sales authority would be granted or any lands actually sold, the Forest Service would have to perform a number of site specific actions. Appraisals would need to be done, surveys of records for minerals claims would need to be made, boundaries would need to be marked, etc. These activities are expensive and labor intensive.

7. Question: Is the Forest Service going to establish guidelines to use in determining whether a tract should be offered for sale or whether its cost would exceed potential revenues?

   Answer: Such guidelines will be a necessary prerequisite to the further study phase. We expect to base the guidelines on the disposal requirements of the authorizing legislation. At this time, it has not been determined what guidelines might be needed. We expect that the revenue from every parcel sold would exceed the cost of the sale.

8. Question: How would those guidelines work?

   Answer: The guidelines would be based on the disposal direction established by Congress. They would provide the basis for intensive study and decisionmaking on an area-by-area basis.

9. Question: Would the tracts be sold in small lots or as a large tract? How will that decision be made?

   Answer: The intent is to sell the property in a way that will generate the most revenue. It is anticipated that both small and large tracts will be sold. The results of the intensive study and some market analysis will aid in making the decision.

10. Question: Would the Forest Service try to sell as much land as possible as quickly or phase in a gradual sales program in order to avoid price disruptions from a sudden oversupply of land?

    Answer: The intent is to realize the largest amount of revenue possible from the sale of any lands. That objective would likely be defeated if large acreages were offered at once. We would not expect to create a situation which is disruptive to market prices.

Earlier Forest Service estimates were that 12-20 million acres would be selected for further study.

11. Question: How many acres were recommended for further study by the regional foresters?

    Answer: The 6.1 million acres currently identified are the result of recommendations by the Regional Foresters in response to criteria developed by the Chief.

12. Question: Who reviewed these regional estimates?

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Answer: The Regional recommendations were reviewed by the Chief. The review consisted of checking the results to be sure that the process criteria were followed.

13. Question: By the use of what criteria?

Answer: The following process criteria were used:

Group I Lands - Are lands likely to have the broadest base of public benefit and public support for disposal. These lands include the following classes:

A. Lands subject to a possibility of reverter which have been disposed of under Title III of the Bankhead-Jones Farm Tenant Act but for which, by law, the Federal Government retained a reverter in the event the lands should cease to be used for a public purpose.

B. Acquired lands inundated by non-Federal water projects licensed by the Federal Energy Regulatory Commission where Federal control of the surface is not needed.

C. Unneeded National Forest System administrative and research sites with National Forest status. Place all other research sites in Category I -Retention.

D. Lands under special-use permit that serve as base ranch property to qualify for a term grazing permit.

E. Land essential for community expansion in the Eastern States, where the Townsite Act does not apply.

F. Lands suited for community expansion but where communities cannot or do not want to acquire the properties.

G. Lands under free special-use permit to local governments, States, or others where permittee has developed permanent improvements.

H. Summer home tracts where there is no foreseeable need to terminate the permit and make the land available for broader public uses.

Group II Lands - Special-use permit areas for which: (1) no higher public use is reasonably foreseeable, (2) sale would not cause undue adverse consequences to nearby retained lands, (3) the permittee has permanent improvements on the land, (4) there is only one permittee, and (5) the use is not linear (a right-of-way).

Group III Lands - Identify scattered tracts for which further study is needed to determine if the tracts contribute substantially to the objectives of the unit and where a change in ownership could make an important contribution to Federal or non-Federal purposes.

We know for each of the parcels identified for further study where it is on a map; its acreage; and why it was selected for further study.

14. Question: Do we know anything about its other values (minerals, recreation, timber, watershed, wildlife, cultural, etc.)?

Answer: No. The initial inventory was an office procedure to identify the lands for further study by outlining them on a map

using the established criteria. The intensive study phase will address the other values.

Forest Service Land Acquisition

Lets turn now to the Forest Service Land and Water Conservation Fund land acquisition proposals for FY 1984. The Forest Service is requesting $10,070,000, down $46,807,000 (-82%) from FY 1983 appropriations to date.

The $10,070,000 proposal is to be distributed as follows: $4,000,000 for Land and Water Conservation Fund program administration; $3,000,000 for deficiencies and court awards; and $3,000,000 for preparation and cash equalization for exchange cases.

Your 1984 Budget estimate includes $3,000,000 for preparation and cash equalization for exchanges.

15. Question: In which congressionally designated areas will these exchanges occur? Do you have a specific list?

Answer: Land exchange will be considered as an alternative to direct purchase in all congressionally designated areas. Mutually beneficial exchanges will be negotiated wherever landowners hold land within congressionally designated L&WCF areas and are agreeable to accepting Federal lands within the same State identified as available for exchange.

Cash equalization payments may be made up to a maximum of 25 percent of the Federal land value.

We do not have a specific list of exchanges.

In FY 1983, we appropriated $56,877,000 for new acquisitions for the Forest Service. When combined with unobligated balances from prior years, the Forest Service has $79,537,621 available for obligation at the first of calendar year 1983.

16. Question: How much of this has been obligated to date? Do you have a plan for further obligations during FY 1983? Could you submit it for the record?

Answer: As of March 30, 1983, $34,523,529 has been obligated. Plans for further FY 1983 obligations are as follows:

Wild and Scenic Rivers	$ 1,042,870
National Recreation Areas	6,651,157
Cascade Head SRA	707,841
Lake Tahoe Basin	13,022,950
Appalachian Trail	1,232,776
Deficiencies and Inholdings	2,737,473
Wilderness (Alpine Lakes and BWCAW)	5,200,000
Composites	686,101
Inholdings and Composites	1,742,000

Endangered Species	94,573
California Condor Habitat	167,000
Kirtland Warbler Habitat	62,468
Habitat Management	280,320
Huron-Manistee (Ausable)	1,000,000
Total	$34,627,529

17. Question: Last year, the Committee provided $2,000,000 for acquisition in the Huron-Manistee National Forest, in Michigan. Can you provide for the record a map and explanation showing how this acquisition will consolidate ownerships in the National Forest?

    Answer: A map is being prepared. The map and an explanation will be provided to the committee by the end of June.

18. Question: Can you submit for the record a map of the McClung property in the Monongehela National Forest, in West Virginia, showing the advantages of acquiring this tract? Does the Forest Service have a current appraisal?

    Answer: The McClung property contains 920 acres of timberland and is surrounded by National Forest System land. The Forest Service does not have an appraisal; however, the property value is estimated at approximately $800,000. A map is being prepared and will be provided to the committee by the end of June.

19. Question: Have you included all anticipated deficiencies in your FY 1984 request?

    Answer: Yes, all of the anticipated deficiencies have been included. It is difficult to be accurate in this area, however.

20. Question: Are there any outstanding condemnation actions for which you do not anticipate awards in FY 1984? If so, please list them. Why are they not budgeted in 1984?

    Answer: Yes, there are three outstanding condemnation cases. These are two for the Appalachian Trail ($29,000) and one is in the Boundary Waters Canoe Area Wilderness ($50,000). These were originally budgeted in 1984. The cases have not been filed, therefore, awards are now anticipated for these cases in 1985.

21. Question: Can you provide for the record a list of projects that would be funded at the $50 million level?

Answer:

FY 1984 L&WCF FUNDING NEEDS
$50 Million Level

Area	Acres	Million Dollars
National Recreation Areas		
Spruce Knob-Seneca Rocks	5,000	$ 4.4
Sawtooth	3,500	10.0 *
Mt. Rogers	1,400	1.0
Appalachian Trail	600	0.6
Wild and Scenic Rivers		
Chattooga, Eleven Point, Flathead, M.F. Feather, and Clearwater	6,000	6.0 **
Lake Tahoe	1,000	7.0
Cascade Head Scenic Research Area	1,600	2.0
Boundary Waters Canoe Area Wilderness	4,000	6.0
Mt. St. Helens	800	0.5
Alpine Lakes	1,500	1.5
Deficiencies and Inholdings	---	3.0
Composites and Cash Equalization	5,714	4.0
Acquisition Management	---	4.0
TOTAL	31,114	$ 50.0

* Indicates need for ceiling increase.
** Ceiling increase needed on M.F. Feather and Clearwater W&SR's.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Monongahela National Forest - Land Acquisition

At this Committee's April 7, 1983 hearing, we discussed the Forest Service's Asset Management Plan as it related to the Monongahela National Forest in West Virginia.

1. Question: When can we expect that the Administration will send this plan to Congress?

   Answer: At this time, the proposed legislation is still in the drafting stage. It could be several weeks before the proposal is ready for transmittal to Congress.

2. Question: Has the basic outline of this legislative proposal been completed; and, if so, could you please describe the plan?

   Answer: The legislative proposal is still in the drafting stage. A number of alternatives are under consideration.

3. Question: Can you provide for the record a listing in priority order of all willing sellers in the Spruce Knob-Seneca Rocks National Recreation Area in the Monongahela National Forest? This listing should include the tract size and an approximate cost estimate for each tract.

Answer:

Name	Priority I Acres	Estimated Value
Lester Self	202	$144,000
Bill Glover	140	117,000
Jesse Judy	80	95,000
The Wilderness Society	40	24,000
Eva Nelson Smith	190	142,000
Gerald Kimble	71	21,000

Name	Priority II Acres	Estimated Value
Heirs	42	$ 25,000
Felsinger	51	34,000
Earlie	90	75,000
Full	66	36,000
Borrer	250	125,000
Vance	132	66,000

4. Question: Can you provide similar information for other areas within the Monongahela National Forest where owners have indicated a willingness to sell to the Forest Service?

Answer:

Name	Acres	Estimated Value
McClung	920	$ 800,000
Moyer Lbr. Co.	1,947	920,000
Moyer Lbr. Co.	6,000	2,700,000
Moyer Lbr. Co.	4,700	2,100,000

5. Question: Have land appraisals been completed on any of these tracts?

Answer: Appraisals have been completed on the following tracts:

Name	Acres	Value
Lester Self	202	$144,000
Bill Glover	140	117,000
Jesse Judy	80	95,000
The Wilderness Society	40	24,000
Eva Nelson Smith	190	142,000

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

STATEMENT OF FRANK A. EDWARDS, ASSISTANT DIRECTOR FOR LAND RESOURCES

ACCOMPANIED BY:

THEODORE G. BINGHAM, CHIEF, DIVISION OF RIGHTS-OF-WAY
ROBERT P. HENRY, CHIEF, BRANCH OF BUDGET DEVELOPMENT, OFFICE OF BUDGET
RICHARD J. ATWATER, DIRECTOR, ASSET MANAGEMENT COORDINATION OFFICE

PREPARED STATEMENTS

Senator MCCLURE. We will now turn to the Bureau of Land Management's asset management program and its Land and Water Conservation Fund land acquisition program.

Would you rather wait for Mr. Carruthers to get here?

Mr. EDWARDS. Mr. Chairman, we are not sure that Mr. Carruthers is going to be able to make it. He has been appearing before a House Appropriations Subcommittee hearing since 10 o'clock this morning, and it doesn't look as if he's going to be excused from that until late afternoon.

Mr. Chairman, Mr. Richard Atwater, is here from the Assistant Secretary's staff to answer questions for Mr. Carruthers and to present his statement.

Senator MCCLURE. Thank you very much.

The statements will be made a part of the record at this point.

[The statements follow:]

STATEMENT OF GARREY CARRUTHERS

I appreciate the opportunity to appear here today to discuss the administration's asset management initiative. Overall management of Federal properties under the jurisdiction of the Department of the Interior has improved during the past 2 years. Our efforts have been part of a Government-wide initiative to promote more efficient management of the Government's property assets.

One year ago, the President, through Executive Order 12348, called upon all Federal agencies to develop an overall property management policy with the goal of providing more efficient management of Federal property. The Department of the Interior has promptly responded to this request.

Asset management is the new term applied to the various land disposal actions routinely conducted by the Department of the Interior. These land disposal actions fall into several categories, including public sale, exchanges, less than fair market value transfers to other Government entities, and jurisdictional boundary adjustments with other Federal agencies for efficiency and effectiveness.

The goal of the asset management initiative is to apply common sense management to Federal real property and public lands. The initiative is based on existing law and has only focused new emphasis on sound cost-effective management. The actions undertaken by the Department of the Interior to implement this initiative include:

Authorization in fiscal year 1982 of the transfer or lease of 19,624 acres of Federal land to State and local governments and other qualified applicants for recreation and other public purposes. (Under the Secretary's good neighbor program, State and local governments have applied for transfer of a total of 278,791 acres.);

Revitalized efforts to honor States' rightful claims to the public lands they were granted upon entering the Union (In January 1981, we owed eight Western States 605,700 acres. Since we took office, 158,680 acres have been conveyed to four States. In 1983, with the States' cooperation, we plan to convey an additional 120,000 acres, completing entitlements to Colorado, Montana, and South Dakota, and reducing entitlements due to Arizona, California, Idaho, and Utah.);

Development of more stringent criteria in evaluating the bureau's property assets, resulting in identification of approximately 110,000 acres as unneeded; and

Identification of approximately 2½ million acres of public land potentially available for disposal by the Bureau of Land Management. (None of this acreage is in national parks, wildlife refuges, wilderness or other areas of national environmental significance.).

The Bureau of Land Management's public land sales have a 200 year history. Since the passage of the Federal Land Policy and Management Act in 1976, the Bureau of Land Management has utilized a detailed land use planning process to identify public lands available for disposal. Identification of disposable BLM lands has been made over a period of years before the asset management thrust began, by career professional managers in developing land use plans. The current 2.5 million acre inventory of lands available for disposal was developed by the career managers in the field.

Though the FLPMA requirements are adequate, we are strengthening and supplementing the existing intergovernmental coordination and public participation procedures in BLM's land use planning process. These additional review opportunities will insure that no Federal land is disposed of without a complete and coordinated review by the public and by all concerned governmental entities. Currently, BLM is holding open houses (during April) with the public to discuss the lands identified as available for disposal and the specific tracts to be offered for sale during fiscal year 1984. BLM plans to offer about 250,000 acres for sale next year.

The categories of land which are available for sale include: land that cannot be efficiently managed due to the small size or location of the parcels; parcels proximate to urban or suburban areas that would contribute to local economic development; and properties that may have potential for more beneficial use in private ownership.

To sum it up, we believe this is an initiative whose time is long past due. It will apply sound business principles to the management by the Federal Government of its vast and varied real property holdings. It has positive social and economic implications for the Federal Government, for State and local governments and for the general public.

STATEMENT OF FRANK A. EDWARDS

Thank you for the opportunity to testify in support of the President's request for appropriations from the Land and Water Conservation Fund for land acquisition by the Bureau of Land Management (BLM) and for asset management for fiscal year 1984.

In line with the Department of the Interior policy for the "Use of the Federal Portion of the Land and Water Conservation Fund," as published in the Federal Register on May 7, 1982, the Bureau's land acquisition request calls for a program to acquire only minimum interests, using cost-effective alternatives to direct purchase, namely, scenic easements. The requested funds, amounting to $130,000, will allow the Bureau to complete acquisition of three scenic easements located along the Rogue Wild and Scenic River in southwestern Oregon.

Of the total, $100,000 is requested for the anticipated deficiency payment needed to acquire one parcel for which a declaration of taking was filed on October 11, 1980. At that time, $40,000 was deposited with the court on the basis or an independent fair market value appraisal. However, the amount of the final award, including any interest due, will depend on the court's decision, which is anticipated in fiscal year 1984.

An additional $30,000 is requested to pay negotiated setlement costs on two more scenic easements on the Rogue Wild and Scenic River. One of these easements has a history of a long and complicated negotiation with the landowner. If the Bureau is not successful in reaching a satisfactory settlement with the landowner, it may recommend that condemnation proceedings be initiated in 1985. These three easements are the last of the more than 300 parcels originally identified for acquisition along the Rogue River.

In response to the committee's concern about the quality of the BLM appraisals, the Bureau has gathered appraisal examples and statistics from the field offices covering the past 3 years. BLM officials met with a committee staff member on February 23, 1983, to discuss the Bureau's land appraisal process and procedures and to indicate the progress being made in responding to the Senate's request for a report on this subject.

Regarding the asset management initiative in the President's fiscal year 1984 budget request, the BLM program for the public lands is an expansion of public sales and other public land disposal efforts which have been going on in BLM for some time. Public land sales enhance opportunities for development and use of lands which are not needed in Federal ownership. Public land sales should reduce Government costs by eliminating management responsibilities for lands which are not needed in Federal ownership. In some cases, the disposition of some public lands will allow community expansion and commercial, residential and industrial development. Last, an accelerated land sales program should increase revenues to the Federal Treasury.

The BLM's organic act—the Federal Land Policy and Management Act (FLPMA)—provides the basic authority for the public land disposals. The authority provides that public lands may be sold, where, as a result of the land use planning required by FLMPA, the Secretary determines that land disposal meets certain disposal criteria. These criteria (section 203(a) of FLPMA) are: (1) such tract because of its location or other characteristics is difficult and uneconomic to manage as part of the public lands, and is not suitable for management by another Federal department or agency; or (2) such tract was acquired for a specific purpose and the tract is no longer required for that or any other Federal purpose; or (3) disposal of such tract will serve important public objectives, including but not limited to, expansion of communities and economic development, which cannot be achieved prudently or feasibly on land other than public land and which outweigh other public objectives and values, including, but not limited to, recreation and scenic values, which would be served by maintaining such tract in Federal ownership.

For fiscal year 1984, we have identified some 250,000 acres which meet these criteria and will be offered for sale. Before any tract is offered for sale, it must go through the BLM land use planning process where multiple use values and environmental impacts are analyzed with public participation and consultation and coordination with State and local governments. Receipts from land sales, of course, depend upon the amont of land actually sold and the value of the land. For the 250,000 acres expected to be offered in fiscal year 1984, we estimate the sale value to be approximately $300 million.

The fiscal year 1984 budget includes a request of $18 million for the land sale initiative. This will include land use planning, appraisals, mineral examinations, cultural resource evaluations, field examinations, report writing, and preparation of presale documentation and provide for general support. The amounts required are budgeted in each of the applicable subactivities of the Bureau's appropriation for "Management of Lands and Resources."

I will be pleased to respond to any questions you may have about this request.

BLM BUDGET FOR ASSET MANAGEMENT

Senator McCLURE. BLM is requesting $18 million in fiscal year 1984 to support the asset management land sales activities. What is the basis for that estimate?

Mr. ATWATER. The $18 million was based upon the administrative costs that the Bureau of Land Management has historically incurred in offering tracts for sale.

Senator McCLURE. You have a historical cost for appraisal, for example?

Mr. ATWATER. The administrative costs include preparation of land reports, mineral assessments, cultural surveys, appraisals, notices of realty action, et cetera. It also includes in some cases some additional land use planning that may be required before that tract can be offered for sale. The appraisal cost is based on the estimate of offering roughly 250,000 acres for sale next year.

Senator McCLURE. That averages a little less than $14 an acre; is that right?

Mr. ATWATER. No; I think it ought to be closer to $75 to $80 an acre. If you divide $18 million by 250,000 acres, you will reach a figure of about $75 to $80 per acre. The actual cost, of course, varies by the type of land.

To give one example: Recently, under special legislation—the Santini-Burton Act—we offered for sale a total of 350 acres near Las Vegas in a December 7 auction. The appraisals for those 350 acres was about $25,000. The cost of appraisal, which is only part of the administrative costs, was nearly $72 per acre in that situation.

Senator McCLURE. I notice the Forest Service estimated $8 an acre.

Mr. ATWATER. That was for the planning work. By and large, our proposal for next year is to offer 250,000 acres. In almost all cases, we have completed the land use planning phase under BLM's authority, section 202 of the Federal Land Policy and Management Act.

What we are talking about here is doing the appraisal, planning, land reports, mineral assessments, cultural reports, et cetera. In our budget of $18 million, roughly $4 million is for actual land use planning for tracts that probably won't be offered for sale in fiscal year 1984 but in future years.

Senator McCLURE. I'm puzzled. I'm not sure I understand. You say you have completed almost all of that, but it's going to cost you $70 an acre to do more?

Mr. EDWARDS. Mr. Chairman, as I understood the estimate of the Forest Service, it was for their next phase.

Senator McCLURE. I understand that. I don't want to focus on theirs right now. But you have indicated you have done most of the studying already.

Mr. EDWARDS. Yes, sir.

Senator McCLURE. You have already acquired most of the information, and it's going to cost you $70 an acre more.

Mr. EDWARDS. We have done the land use planning for those areas, but the specific individual tracts have not been examined to determine, first of all, whether they have mineral values on them and whether there are any cultural resources that need to be cleared. An appraisal on individual tracts has to be completed and a number of administrative actions have to be taken before the lands can be offered for sale.

Senator MCCLURE. I don't think we can afford to have you own the land, and we can't afford to have you sell it at 70 bucks an acre in addition to what you have already done. That land isn't worth $70 an acre.

You are trying to demonstrate that we've got to keep it all because you can't afford to sell it?

VALUE OF LAND SOLD

Mr. EDWARDS. No, sir. That's not the approach at all. Some of the land is worth many times more than that.

As Mr. Atwater indicated, land we sold recently around Las Vegas averaged about $25,000 per acre.

Senator MCCLURE. I'm sure you can point to a few that are, but you can also point to a lot that aren't.

How much would you pay for a patch of scabland out in the middle of the desert?

Mr. ATWATER. Well, sir, you're correct, it does vary. And for those lands, of course, the cost per acre to have it appraised is much lower, for example, than the lands we had appraised in Las Vegas.

Our revenue estimate was $300 million. We are talking about administrative costs of $18 million on an offering for sale of 250,000 acres.

Senator MCCLURE. I suspect your costs are going to come a lot closer to the estimate than your revenues. Although, in all honesty, there is some land that is very valuable that will sell very well, and the costs will certainly be relatively higher to prepare those for sale and offer them for sale.

In some respects, however, the costs of those areas are no more difficult to arrive at than they are in other areas that may be more remote with more assessments necessary; is that correct?

If you've got a lot down in Las Vegas, you don't have to do an awful lot of study to determine whether you can sell it or not, do you?

Mr. EDWARDS. That's true, except that the higher the value of the land, typically, the higher the cost of appraisal, because the analysis is looking at comparable sales. There is a little more sophisticated real estate market associated with the higher valued land.

Mr. ATWATER. If you're talking about rural land, where it's generally about $200 an acre, you don't need to take the time and effort to do the detailed appraisal work. Although, as you just alluded to, there certainly may be mineral reports and other analyses that may be equally appropriate.

MINERAL SURVEYS

Senator McCLURE. You don't spend much on mineral surveys.

Mr. EDWARDS. Yes, sir, but we must examine each tract to determine——

Senator McCLURE. I know how you examine it, too. You don't examine it like any other landowner would, but many times you don't need to, and there isn't much expense when you don't need to.

If it's out in the middle of a lava flow, what do you do, examine the mineral value?

Mr. EDWARDS. Well, sir, there is a requirement that we must make a determination by law as to its mineral character. We have a mining engineer or geologist review the publications for the information that is available. And in some cases, they must make a field examination because information is unavailable. There may also be a mining claim located on the ground of which we must be cognizant because of other possible rights that may exist there.

Mr. McClure. Do I understand your figure—you expect an average of $1,200 an acre for all the land you sell?

Mr. ATWATER. For the 250,000 acres we plan to offer next year, that is correct.

Roughly, more than one-half of that acreage that will be offered for sale will be in the California desert and in the States of Arizona and Nevada. And those lands tend to be, because of their proximity to Las Vegas, Phoenix, and other cities, of relatively higher value than the lands we typically manage and own in the West.

CONTRACTS FOR APPRAISALS

Senator McCLURE. I understand, from your justification, that you expect to use the private sector in the asset management program, especially in the preparation of appraisals.

What is your current estimate of how that work will be divided between the Government appraisers and private sector appraisers?

Mr. EDWARDS. I think our estimate right now is about 50–50.

Senator McCLURE. Have any private appraisers been paid or used to date?

Mr. ATWATER. Yes; I indicated that under the Santini-Burton sale last fall, we contracted at about $25,000 to appraise 350 acres. And we recently had updates on appraisals for an auction that's going to be held May 12 in Las Vegas. We currently are going to offer about 30,000 acres of public land during fiscal year 1983. Some of those lands are being appraised by private contractors, but I don't have that information.

Senator McCLURE. Could you provide it for the record—the number of appraisals being handled by staff and the number that are being handled by contract?

Mr. ATWATER. Yes.

[The information follows:]

NUMBER OF CONTRACTED APPRAISALS

All appraisals for land disposals are being handled by BLM staff except in Nevada, where the State office plans to obligate $10,000 for up to four contracted appraisals during fiscal year 1983.

AUTHORITY FOR LAND SALES

Senator MCCLURE. BLM is proposing to sell its excess land by using section 203 of the Federal Land Policy and Management Act of 1976.

This section has three specific disposal criteria. However, the President's Executive Order 12348 uses other criteria.

How has BLM reconciled or how is BLM reconciling these different criteria?

Mr. ATWATER. The Department of the Interior's policy is to utilize the criteria under section 203 specifically for the Bureau of Land Management land sales. Those criteria are used in the planning process to determine whether or not the specific tract is eligible for disposal and, more specifically, for sale.

Senator MCCLURE. Do I understand section 203 was used to select the 2.5 million acre potential sales figure?

Mr. ATWATER. That's correct.

ESTIMATE OF SALABLE ACRES

Senator MCCLURE. I might just note for the record I understand your initial estimates were that 2.7 million acres met the disposal criteria, whereas your current statement is that 2.5 million acres meets the criteria. Which is the correct number?

Mr. ATWATER. The current numbers are a refinement of the estimates made by the BLM field managers. Over the last 12 months those estimates have been revised. The estimate of 2.5 million acres is our current estimate.

Senator MCCLURE. How was this target figure arrived at?

Mr. ATWATER. Originally, almost a year ago, the Washington office asked each of the BLM State directors, and they, of course, asked the district managers, to identify and give us the acreage of lands in BLM's current lands plans, or in those cases where no land use plans exist, those lands that they felt would be available for disposal. And again, the intent was not specifically to sell, but was disposal through all of BLM's disposal authority. And that information, which was originally about 2.7 million acres, has been refined over the last year to approximately 2.5 million acres.

Senator MCCLURE. Where did you develop the list?

Mr. ATWATER. That list was developed by the field managers and submitted to the Washington office.

Senator MCCLURE. Do you have a legal description of each tract?

Mr. ATWATER. Yes, we do. That has changed over time, because some tracts have been deleted and others have been added.

TRACTS IN LAND USE PLANS

Senator McCLURE. Do you have each tract identified in existing land use plans as being eligible for sale or exchange?

Mr. ATWATER. No, we do not. Of the 2.5 million acres, roughly speaking, about 1.5 to 1.6 million are covered by a valid BLM land use plan.

Approximately 900,000 acres of the 2.5 million acre inventory have not been through the land use planning process. Of course, that will have to be completed prior to any disposal action.

Senator McCLURE. You don't intend to dispose of any of that that has not been completed in the land use plan?

Mr. ATWATER. That's correct. But, of course, of that inventory pool, we're talking about offering for sale next year 250,000 acres. Needless to say, we could just offer for sale the lands that are already included in that 1.5 to 1.6 million acres that already have a land use plan. In some cases, however, we may want to do a land use plan for tracts that have more value or that someone has nominated.

Senator McCLURE. Well, I'm sure it wouldn't come as any surprise to any of you to know that not everybody likes your asset management program. It isn't universally acclaimed. There are a few critics and some of these critics have told us that these estimates are really based on windshield surveys; is that true?

Mr. EDWARDS. No, it's not, sir.

Senator McCLURE. How would you respond to that?

Mr. EDWARDS. Well, my response is that it's not a windshield survey. Our people in the field who know the land itself, who have been on the land, who know the resource values that are there, were the people who put together and discussed with the public the land use plans and made the determinations as to what lands were suitable for disposition. That is certainly beyond a windshield survey in my estimation.

Mr. ATWATER. Sir, I would also like to add that currently we have prepared detailed maps at the district and State level. We have asked that the BLM State offices and district offices hold open houses during April and May to discuss in detail with the public and other interest groups, the lands that have gone through the land use planning process or these other lands that have not been through the process. Those meetings will identify for the public the magnitude and the kinds of lands available for disposal.

Senator McCLURE. As I mentioned a moment ago and as you responded, some of this land is in or around such towns as Las Vegas, Nev., and have pretty high value. But many of the rest of the lands are pretty low in value. Some of the land now being considered for sale will probably not be worth as much as it cost BLM to survey, appraise, and clear all the encumbrances, including grazing leases, mining claims, and mineral rights.

BREAKDOWN OF TRACT VALUES

I really question your estimate of receipts. But do you have any breakdown between the high value lands and the relatively run-of-the-mill lands in acreages?

Mr. EDWARDS. No, sir. I don't believe that we have a breakdown of that. It would be very difficult for us to do that, because, as indicated before, the lands vary so much in their resources and their value.

Mr. ATWATER. We do have a rough estimate of value for the approximately 30,000 acres that we are intending to offer for sale in this current fiscal year.

And of course, some of those have been appraised. We have not come up with a final list for the 250,000 acres we are going to offer for sale next year. That's the reason we don't have an estimate of value.

When we complete the list, we could give you that information tract by tract.

BASIS FOR ACREAGE ESTIMATE

Senator MCCLURE. The Forest Service indicated that they got at the acreage backward. They were given a figure of $200 million in revenues, and then they applied enough acreage to it to aggregate the $200 million.

Is that the way you got your acreage from the $300 million figure?

Mr. ATWATER. No, sir. It is a combination of both looking at the revenue and the amount of acreage that we plan to offer for sale, and it was a budget exercise with the amount of acreage that would be approved and reasonable to offer for sale, and then looking also at the revenues.

SUBSURFACE RIGHTS

Senator MCCLURE. How would you handle subsurface rights?

Mr. ATWATER. Generally, under section 209 of the act, we cannot sell lands that have known mineral values except under very unique circumstances.

It has been the position of the Bureau of Land Management, when they offer tracts for sale, to hold in Federal ownership those mineral rights.

RETENTION/CONVEYANCE OF MINERAL INTERESTS

Senator MCCLURE. So you will have a retention of mineral interests, regardless of what tract of land it is?

Mr. ATWATER. No; I think we are looking at the policy options, and in some cases where there are known mineral values, the Secretary has authority under section 209 to sell the mineral interests. In some of the cases that we identify through our mineral reports there are no mineral values where we would convey the mineral estate with the surface ownership.

Senator McCLURE. As a matter of policy, then, you will look at the mineral survey and if it says "no known mineral values," it would be your policy to sell without retention of subsurface rights?

Mr. ATWATER. In general, it is really a case-by-case situation, depending on the circumstances. In the situation you describe, the minerals could be sold to the surface owner.

Senator McCLURE. I think we need a little bit better guidance than that, because I would like to know what criteria you will apply on a case-by-case basis.

Mr. EDWARDS. We are required by law to generally retain or to reserve mineral interests where there are known values or prospective values. That is the reason for our mineral examination—to determine what will be transferred and what will be reserved.

Senator McCLURE. How do you make the determination? Do you do it just on the basis of a mineral survey?

If the mineral survey is taken and it says "no mineral values," then what do you do?

Mr. EDWARDS. The mineral estate is transferred.

Senator McCLURE. There is no reservation in that instance?

Mr. ATWATER. Currently, under BLM regulations, the mineral interests cannot be transferred or conveyed at the same time the tract is offered for sale. The person who buys the surface rights under the regulations could then, if he would like, acquire the mineral interests. Under the law, the buyer has to pay for the administrative costs of acquiring the mineral interests.

ADMINISTRATIVE COSTS OF CONDUCTING MINERAL ASSESSMENTS

Senator McCLURE. And what are the administrative costs of the mineral interests?

Mr. ATWATER. That varies, but it is roughly in the range of between $50 to $250.

Senator McCLURE. An acre?

Mr. ATWATER. No; per sale. The total administrative cost of conducting the mineral assessment. It could vary depending on the size of the parcel.

Senator McCLURE. But it would be your intention, then, in each instance where there is no known mineral value to charge for the determination that there was no mineral value, if a person wants to buy it, to unreserve the estate?

Mr. ATWATER. Under law, we are required to recover the administrative costs for doing the mineral examination.

Senator McCLURE. Well, wouldn't that be true of just the purchase price of the property without separating it out as a separate sale?

Suppose you have 40 acres of land that has an appraised value of $100 an acre, that is $4,000, and your mineral survey for that 40 acres of land was $250, wouldn't the sale of that land for $4,000 satisfy that requirement of law without a separate statement of cost?

REVENUES FROM LAND SALES

Mr. ATWATER. Those revenue receipts would not go to the Bureau of Land Management.

In a Western reclamation State, 76 cents on the dollar goes to the reclamation fund; 20 cents on the dollar goes to the general treasury; and the remaining 4 percent goes to the State of origin. So the sale price does not cover the administrative costs.

These revenues do not go back to the Bureau of Land Management, for example, to pay for the mineral administrative assessment.

Senator MCCLURE. Now you are saying that the administrative costs are for the sale of the mineral rights?

Mr. ATWATER. That is correct.

Senator MCCLURE. Are you telling me you divide up with the States the administrative costs?

Mr. ATWATER. No, no. Excuse me, I misunderstood. I was referring to the revenues from the receipts of the land sales when I indicated the percentage breakout. In reclamation States, 76 percent is deposited into the reclamation fund, 20 percent goes into the general treasury, and 4 percent of the receipts from the land—in your case the $4,000—goes back to the State where the land was sold.

Senator MCCLURE. That doesn't have anything to do with the difference between selling the surface and subsurface, does it?

Mr. ATWATER. The point I was trying to make is that section 209 of the Federal Land Policy and Management Act requires BLM to recover administrative costs for selling mineral estate.

EXCHANGE OF LAND

Senator MCCLURE. FLPMA authorizes the exchange of Federal land for State and private land when such exchanges are in the public interest.

Are you considering the value of retaining land for future exchanges?

Mr. EDWARDS. Yes, sir, we are. In our land use planning process, there are lands that are identified as potential lands for exchange for other purposes.

Senator MCCLURE. Do you identify in your land use plans the potential requirement for acquisition of lands by exchange?

Mr. EDWARDS. I am sorry, I don't quite understand your question.

Senator MCCLURE. Well, if you are going to reserve land for possible future exchange, is that matched by any evaluation of the need to acquire land by future exchange?

Mr. EDWARDS. Yes, it would be, if there were lands that met the criteria for acquisition for Federal projects that we could exchange for.

Senator MCCLURE. Are you in each land use plan identifying lands which might be acquired or you might wish to acquire or might need to acquire in the future?

Mr. EDWARDS. Yes; they can be. I am not sure they are identified in each and every plan, because not all areas may need an acquisition.

RETENTION FOR FUTURE USE

Senator McCLURE. If they are not identified, how do you know how much you ought to retain for possible use in the future?

Mr. EDWARDS. Well, the lands which we are identifying as a possible base for exchange would be lands that would fit in the general category of disposition. In other words, they would be lands which we would no longer need to continue Federal programs, and those could be made available for exchange and in some cases for sale.

Senator McCLURE. But unless you have identified their possible future needs for exchange, they would normally be put up for sale?

Mr. EDWARDS. Yes, that is true.

Senator McCLURE. And so you have no plan by which you identify a possible future need, so you would retain lands now for future exchange?

Mr. EDWARDS. That would be true, unless there was identification of exchange needs by another agency or by a State or private interest.

Senator McCLURE. It would be a rather unique circumstance, would it not, before you made such an identification of future requirements?

Mr. EDWARDS. Yes.

Senator McCLURE. How will normal land exchanges be handled with the asset management program?

Mr. EDWARDS. Well, they would be handled under our regular exchange authority. We have some applications for exchanges which are already in process, and those will continue to be processed.

Senator McCLURE. So even though they are identified for possible disposal under the asset management program, they will be available for exchange in the normal course of business, is that correct?

Mr. EDWARDS. Yes.

BLM ACQUISITION PLAN

Senator McCLURE. Let me turn now to the land acquisition plan for BLM.

In fiscal year 1984, the Bureau is requesting an appropriation of $130,000, a decrease of $181,000 from the 1983 appropriation to date. This request is a sum of two components: one, an anticipated deficiency of $100,000 on a tract in the Rogue Wild and Scenic River, Oreg., for which the original deposit was $40,000; and, second, an estimated $30,000 to pay for negotiated settlements on two other scenic easements on the Rogue Wild and Scenic River.

Mr. Edwards, how do you anticipate obligating these funds without staff?

Mr. EDWARDS. We do have staff available in the districts that are trained for acquisition, for the acquisition program.

Senator McCLURE. Your request provides for no staff?

Mr. EDWARDS. No additional staff.

Senator McCLURE. No additional staff. It will be charged only to the district personnel.

In your justification—and I will refer to page 213——

Mr. HENRY. Senator, the assumption is that most of the negotiating work in those acquisitions has been completed and the staff work would be minimal.

Senator MCCLURE. Some time, even though it is minimal, even though it may be at the district level, it is charged, is it not?

Mr. HENRY. Correct.

Senator MCCLURE. And yet you show a zero charge. Is that correct?

Mr. HENRY. Yes, sir.

Senator MCCLURE. I assume it will take somebody some time. Am I incorrect?

Mr. HENRY. No; you are not incorrect, but the time is minimal. The budget estimates are dealing in full-time equivalents. It is a question of whether we have a full-time equivalent.

Mr. EDWARDS. Mr. Chairman, I should identify for the record Mr. Bob Henry, Chief of our Branch of Budget Development.

Senator MCCLURE. Thank you very much, and I think you are probably right, that it is indeed minimal and that is all the work it will require.

Are there other acquisition deficiencies anticipated in fiscal year 1984?

Mr. EDWARDS. No, I do not believe there are, sir.

CONDEMNATION CASES

Senator MCCLURE. Do you have any other condemnation cases pending in fiscal year 1984?

Mr. EDWARDS. No; we do not have any pending. Of course, we do not know the outcome of the negotiations with the two owners of the two parcels that we are trying to purchase now.

Senator MCCLURE. You assume the negotiations on those two parcels will also not take any appreciable amount of time?

Mr. EDWARDS. They should not. In fact, negotiations have already begun with those people, and the amount of time that will be expended should be minimal.

Senator MCCLURE. If you are successful in reaching a negotiated agreement, as you have indicated you will, what is the $30,000 for negotiated settlement costs? Is that just a payment to landowners?

Mr. EDWARDS. Yes; I believe that is true.

Senator MCCLURE. Thank you very much for that testimony.

Mr. EDWARDS. Thank you, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. We will have some questions for you to answer for the record.

Mr. EDWARDS. We will be pleased to respond.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Land Sales Target

Question. Do you have a State-by-State sales target?

Answer. The following is a list of States and the target in acres for each:

	Acres
Arizona	45,000
California	35,000
Colorado	25,000
Eastern States	1,000
Idaho	14,000
Montana	20,000
Nevada	40,000
New Mexico	25,000
Oregon	20,000
Utah	5,000
Wyoming	20,000
Total	250,000

As more specific tract information is developed, it will be forwarded to the committee and Members of Congress as required by section 316 of Public Law 97-394 (appropriations for the Department of the Interior and related agencies, fiscal year 1983).

Planning and Asset Management

Question. If you spend 35 percent of your planning budget on asset management land sales, will you still be able to complete your other responsibilities, such as completion of resource management plans? What will be the negative impacts from BLM redirecting resources to support the land sales program? Can you provide a complete list for the record?

Answer. The planning base for fiscal year 1984 is $8,891 million, plus an additional $3.1 million for asset management for a total of $11.991 million. Since the $3.1 million is an addition to the base program, we do not anticipate major negative effects on planning as a result of planning efforts for land sales. Neither resource management plan (RMP) completions nor the three remaining transition management framework plan (MFP) completions planned for fiscal year 1984 will be affected. The ongoing planning schedule is affected to the extent that a part of base funding that would have been used for new RMP starts is now going to be used for an expanded number of plan amendments relating to asset management. The change in emphasis is acceptable since commitments to other resources will remain on schedule.

Land Sales Subsurface Rights

Question. How will you handle subsurface rights?

Answer. If the public lands are known to contain minerals including locatable minerals or the geologic characteristics of the lands indicate that there is a potential for minerals, the minerals may be sold under the terms set forth in section 209(b) of the Federal Land Policy and Management Act (FLPMA). Under the terms of section 209(b)(1)(2), the Secretary may convey the mineral interests to the existing or proposed record owner of the surface if he finds that the reservation of the mineral rights in the United States would interfere with or preclude appropriate nonmineral development of the land and that such development is a more beneficial use of the land than mineral development. For example, building a plant or a school in a town may be deemed to be more in the public interest than extraction of the minerals from the subsurface.

Lands with valid unpatented mining claims will not be sold. Mining claims recorded under section 314 of FLPMA will be used as a guide to delete such acreage from sale. It is the Bureau's policy that mining claims shall only be contested for purposes of validity if the sale is determined to be in the public interest. Subsurface interests will be sold in conjunction with the surface when they are determined to have no known mineral value.

Land Sales Subsurface Rights

Question. What do you mean exactly by a need for $30,000 for "negotiated settlement costs?" If the Bureau is not successful in reaching a satisfactory settlement with the landowner, the Bureau may recommend that condemnation proceedings be initiated by fiscal year 1985. Does this mean that negotiated settlement costs are staff salaries, not actual payments to the landowners?

Answer. No; the $30,000 negotiated settlement costs are primarily for anticipated purchase costs when an agreement is reached in fiscal year 1984. However, there will be several work months of staff costs (approximately 15 percent) to finance these negotiations.

BLM/Forest Service Boundary Adjustments

Question. Has BLM and the Forest Service completed any of its planned boundary adjustment exchanges? Your fiscal year 1984 budget states that the program will continue at the fiscal year 1983 level in fiscal year 1984. I just wanted to make sure that the level was a positive one, not zero. How will land identified for boundary adjustments with the Forest Service be handled under the asset management program? Does the Forest Service and BLM have joint criteria for carrying out this program?

Answer. Several jurisdictional changes have been completed namely, the Castle Peak-Kremmling, Breckenridge, Blue River-Dillon, Vail-Minturn, and Aspen areas in Colorado and the Little Rocky Mountains and Western Montana areas in Montana. One transfer in the San Juan area in Colorado has been proposed in a bill before Congress. The identification of potential boundary adjustment areas is a continuing effort. An estimated $114,000 and $180,000, respectively, have been planned for fiscal year 1983 and fiscal year 1984; an estimated 10 boundary adjustments will be accomplished each year.

Lands identified for disposal are identified through either the BLM or FS planning systems. Such identified lands are reviewed for their resource values such as timber, grazing, soils, vegetation, minerals, and for their pattern of use, appropriateness for public or private ownership, and for their proximity to other lands managed by the same agency. Based on these criteria, recommendations are made for transfer and input is sought through public participation as well. A final decision to request the transfer is made by the management officials of both agencies.

The asset management initiative and the jurisdictional transfer program are related in a general sense, but one does not preclude or prevent the other from progressing.

Compliance With NEPA

Question. How have you handled compliance with NEPA? Have you filed an EIS or EA? Do you need to?

Answer. No EIS or EA has been filed. Transfer of land between Federal agencies is an action categorically excluded from the NEPA process. (Department of the Interior Manual 516 DM 6 appendix 5, 5.4 (28), published in the Federal Register on December 9, 1980 (46 FR 60278)).

FISH AND WILDLIFE SERVICE

STATEMENT OF ROBERT A. JANTZEN, DIRECTOR

ACCOMPANIED BY:

WALTER R. McALLESTER, CHIEF, DIVISION OF REALTY

CRAIG POTTER, DEPUTY ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

PREPARED STATEMENT

Senator MCCLURE. We will now turn to the Fish and Wildlife Service's land acquisition proposal for fiscal year 1984.

The lead witness for the Fish and Wildlife Service will be Mr. Robert Jantzen, Director.

We very much appreciate your appearance here today, and, of course, it's a pleasure to welcome you before the committee on the other side of the table.

Mr. Craig Potter, Deputy Assistant Secretary for Fish and Wildlife and Parks.

Mr. POTTER. It's an honor to be here, Mr. Chairman.

Senator MCCLURE. Mr. Jantzen, we will enter your entire statement in the record at this point, and proceed directly to our questions.

[The statement follows:]

STATEMENT OF ROBERT A. JANTZEN

Thank you for the opportunity to address the administration's recommendations for the fiscal year 1984 budget pertaining to the Fish and Wildlife Service's appropriation under the Land and Water Conservation Fund.

The Service proposes no request for a land acquistion appropriation during fiscal year 1984. Rather than acquire additional lands, emphasis will be placed on more intensive management of the lands already within the refuge system. The continuation of the acquisition with Land and Water Conservation Funds of uncompleted units will be deferred until the management capabilities of the units already within the system are improved.

Last year the Service's budget request for the land acquisition appropriation was a modest $1,567,000 for acquisition on two endangered species areas and acquisition management moneys. The Appropriation Act provided $27.2 million for the acquisition on 14 refuges and additional acquisition management funds. Due to this act not being signed until late December and apportionment provided in February, the purchase of these lands got a very late start. Our current estimates indicate all but about $3.6 million or 13 percent of that appropriation will be obligated by end of fiscal year 1983.

This obligation rate will be possible only because a large amount of the appropriation was targeted to acquisition of lands being held for us by the nature conservancy and a combination project with the Corps of Engineers.

The Service is presently undertaking a land protection plan analysis which will eventually encompass all of the land acquisition yet to be accomplished. Each plan will be a complete analysis of the unit, each property or groups of properties, their biological need, threat of destruction and a study of the possible alternatives to protect the bio-

logical resource. The purpose is to acquire lands only when absolutely necessary and then only the minimum interest necessary to afford protection.

The POWDR legislation (Protect Our Wetlands and Duck Resources) is an excellent example of how resources can be protected by means other than purchasing land. In addition, the legislation would amend the Land and Water Conservation Fund to authorize grants to States for wetland conservation projects. Stressing protection by zoning, agreement, donation or other alternatives should be emphasized.

Until the management capabilities on the already acquired lands are maximized, the rehabilitation of the current refuge system is complete and the Nation's budget deficit situation is improved, further land acquisition should be deferred.

I appreciate this opportunity to address this committee and would be pleased to answer any questions you might have.

INTRODUCTION OF ASSOCIATES

Senator McCLURE. If you would, introduce the other gentleman with you at the table, for the record, please?

Mr. JANTZEN. I'd be happy to, Mr. Chairman.

On my left, Mr. Walter McAllester, Chief of our Realty Division.

STAFF REQUIREMENTS

Senator McCLURE. Thank you.

You have not requested any money in fiscal year 1984 for staff or for additional land acquisition. I'll ask you the same question I asked the BLM:

How do you intend to obligate any of your funds that may not have been obligated before 1984 if you have no staff?

Mr. JANTZEN. Mr. Chairman, there will be a reduction in staff. We will continue to have staff available for ongoing land acquisition activities funded through carryover moneys. We estimate about $3.6 million in carryover funds. Beginning in 1984 we will have obligated most of the $27 million appropriated in fiscal year 1983, plus an additional $2 million of the $5 million carryover available in 1983.

Senator McCLURE. Even though now you have identified the fact that there will be some carryover from 1983 into 1984?

Mr. JANTZEN. We estimate, Mr. Chairman, approximately $3.6 million to be carried into fiscal year 1984.

Senator McCLURE. Your estimate on page 289 of the justification indicates that there is no staff time used in the allocation of the expenditure of these funds; is that correct?

Mr. JANTZEN. Mr. Chairman, Mr. McAllester advises me that at the time the budget was prepared we estimated that we would obligate all amounts budgeted for personnel compensation.

Senator McCLURE. So now you expect there will be some staff time used in 1984; is that correct?

Mr. JANTZEN. Yes, sir.

Senator McCLURE. Would you give me the FTE on that?

Mr. JANTZEN. We'll provide it for the record.

Senator McCLURE. If you would, please.

[The information follows:]

Land acquisition

Land and Water Conservation Fund—FTE estimates fiscal year 1984

Fiscal year 1984 budget request	
Fiscal year 1983 carryover (estimate)	$3,600,000
Total available fiscal year 1984	$3,600,000
FTE's required for fiscal year 1984 (staff-years)	5

Necessary personnel will be retained until the land acquisition with these carryover funds is completed.

LAND PROTECTION PLANNING

Mr. JANTZEN. We also have staff available from the migratory bird conservation account.

Senator MCCLURE. What is the Service's status of land protection planning? Will every refuge have a land protection plan developed?

Mr. JANTZEN. Mr. Chairman, since Mr. McAllester is the authority on this subject, he will answer your questions.

Mr. MCALLESTER. We have developed a schedule of preparing land protection plans on all the refuges that will have acquisition, and we are developing a land protection plan for those. We should have five or six plans completed in the next few months.

Senator MCCLURE. Do you have a schedule for completion on all of the land protection plans not now completed?

Mr. MCALLESTER. Yes, we do.

Senator MCCLURE. Would you provide that for the record, please?

Mr. MCALLESTER. I'd be glad to.

[The information follows:]

Schedule for submission of land protection plans (LPP)

Region and project	*Due date*
Region 1:	
West Grasslands, Calif	June 1983
Butte Sink, Calif	Do.
Burlington Northern Exchange (Willapa), Wash	Do.
Protection Island, Wash	August 1983
San Francisco Bay NWR, Calif	October 1983
Moapa Dace, Nev	February 1984
Kealia Pond, Hawaii	Do.
Blunt-noised Leopard Lizard, Calif	April 1984
Humboldt Bay NWR, Calif	Do.
Nisqually NWR, Wash	June 1984
Redhead Production Habitat, Idaho	Do.
Tejon Ranch (Condor), Calif	August 1984
Grays Lake NWR, Idaho	Do.
Desert NWR (Corn Creek Exchange), Nev	October 1984
Ridgefield NWR, Wash	March 1985
San Pablo NWR, Calif	June 1985
Region 2:	
Lower Rio Grande Valley, Tex	June 1983
Anahuac—Barrow Addition, Tex	September 1983
Big Boggy, Tex	December 1983
Hoskins Mound (Texaco donation), Tex	Do.

Schedule for submission of land protection plans (LPP)—Continued

Region and project	*Due date*
Region 2—Continued	
Anahuac—Jackson Addition, Tex	March 1984
Bat Caves, Okla	June 1984
Clear Creek, Tex	December 1984
San Pedro River, Ariz	Do.
Brazoria—Kitchel Addition, Tex	Do.
Region 3:	
Kirtland's Warbler, Mich	June 1983
Minnesota Valley NWR, Minn	March 1984
Fox River NWR, Wisc	June 1984
Hamden Slough, Minn	September 1984
Carrol Cave, Mo	December 1984
Region 4:	
Crocodile Lake NWR, Fla	June 1983
Bon Secour NWR, Ala	Do.
Bogue Chitto NWR, La	August 1983
Panther Swamp NWR, Miss	Do.
Overflow NWR, Ark	October 1983
Lower Suwannee NWR, Fla	Do.
Mississippi Sandhill Crane, Miss	December 1983
Morgan Brake NWR, Miss	Do.
Lower Hatchie NWR, Tenn	March 1984
Key Deer (No Name Key) NWR, Fla	March 1983
Sandy Point NWR, Virgin Islands	June 1985
Cache River NWR, Ark	September 1985
Fakahatchee Strand NWR, Fla	December 1985
Reeves Bottom NWR, Mo	June 1986
Mathews Brake NWR, Miss	June 1989
Region 5:	
Mason Neck NWR, Va	April 1984
Leetown NFC, W. Va	June 1984
Great Dismal Swamp, Va	August 1984
Tinicum Marshes, Pa	October 1984
Great Swamp, N.J	December 1984
Trustom Pond, R.I	March 1984
Canaan Valley, W. Va	June 1985
Cross Island, Maine	September 1985
Region 6:	
National Elk, W. Va	June 1983
Sand Lake NWR, S. Dak	September 1983
Arapaho NWR, Colo	March 1984
Tewaukon NWR, N. Dak	June 1984
Karl Mundt NWR, S. Dak	September 1984
Charles M. Russell NWR, Mont	March 1985
Spearfish NFH, S. Dak	June 1985
Creston NFH, Mont	September 1985
Region 7:	
Tyonek and Kenai Native Association exchanges (Kenai NWR), Alaska	September 1983
Kaktovik exchange (Arctic NWR), Alaska	December 1983
Exchanges implementing Bristol Bay Study (affects Alaska Pennisula, Izembek, Becharof, and Togiak NWR's), Alaska	June 1984

HARDSHIP ACQUISITIONS

Senator McCLURE. Have there been any hardship acquisitions in advance of completion of the land protection plan?

Mr. McALLESTER. We have been following the policy that when Congress appropriated the money it was the intent to proceed with those acquisitions. Therefore, we are obligated to proceed with those acquisitions. We are concurrently working on land protection plans on those projects.

Senator McCLURE. So you are making the assumption that the approval of the money, based upon your budget request, was a sufficient authorization for the acquisition of the lands, even though they're not yet required by the completed land protection plan?

Mr. McALLESTER. That's correct. However, it should be understood that the Fish and Wildlife Service has had, since 1977, a planning process, which is very similar to the Department's land protection plan. We have been through the consideration of alternatives of easements and other means of acquiring land. Our policy has been to acquire the least interest possible and if possible use other alternatives. We don't anticipate any conflict with the land protection plan when it's completed.

Senator McCLURE. There have been no acquisitions other than that specifically identified in the Appropriations Act?

Mr. McALLESTER. No, sir. Our money is specifically controlled by line item in the budget.

AUTHORIZATIONS

Mr. POTTER. Mr. Chairman, also, to put this in perspective with respect to the previous questioning on staffing: the numbers of the specific authorizations for Fish and Wildlife Service is very limited, and we don't have the problems we have with some of the other agencies in terms of development of large numbers of land protection plans.

Senator McCLURE. But there are some costs of acquisition.

Mr. POTTER. Of course.

Senator McCLURE. And I'd like to have those identified, if you can.

[The information follows:]

Fiscal year 1984 personnel compensation costs for the land acquisition management

FTE's required in fiscal year 1984 (staff-years)	5
Personnel compensation	$130,000
Personnel benefits	$14,000
Total personnel compensation	$144,000

CROCODILE LAKE REFUGE

Senator McCLURE. For the American crocodile refuge in Florida, which is the Service's top acquisition priority in 1983 and again in 1984, what is the status of the obligations?

Mr. JANTZEN. Mr. Chairman, the first part of your question was to identify staff costs related to acquisition, and second identify the status of obligations for the American crocodile refuge?

Senator McCLURE. Your acquisition priority in 1983 and 1984.

Mr. JANTZEN. American crocodile habitat acquisition is a top priority.

Senator McCLURE. What is the status of the obligations?

Mr. JANTZEN. I'll have to ask Mr. McAllester.

Mr. McALLESTER. We have obligated $539,000 of the available $2,784,000. We are currently negotiating one major tract that will obligate about $2 million. However, if negotiations break off on this tract, we anticipate settling two other tracts on a willing seller basis. This should complete our obligation.

CROCODILE NESTS

Senator McCLURE. What percent of all crocodile nests in the United States are located within the refuge boundary?

Mr. JANTZEN. Mr. Chairman, perhaps Mr. McAllester could answer that question. American crocodiles nesting within refuge boundaries is very significant.

Mr. McALLESTER. A third of the U.S. crocodile population nest in the Crocodile Lake area.

Senator McCLURE. As evidenced by the fact we have appropriated $2,766,000 last year for acquisition, it's obvious that the Congress is concerned about that priority.

If the Service were to acquire all of the lands within the approved boundary, do the Service personnel involved in the recovery plan agree that the crocodile would not be driven all off North Largo Key by development on the ocean side of Route 905?

Mr. JANTZEN. Mr. Chairman, we believe that—the present demarcation will be sufficient to protect the crocodiles on the bay side—the inland side.

Senator McCLURE. Is there any doubt in your mind that the refuge boundary represents a viable unit if development proceeds on the rest of the Key, as planned?

You say you're satisfied, but I just wonder if you are concerned about that decision.

Mr. JANTZEN. Mr. Chairman, I think considering what is practical and realistic, we are satisfied with that boundary.

Given a different set of circumstances such as increased development, or human disturbances, we may have opted for a different boundary. But with the present situation, we believe it is satisfactory.

Senator McCLURE. Does the American crocodile refuge have a land protection plan in progress?

Mr. JANTZEN. Yes, sir, it does.

Senator McCLURE. When will it be complete?

Mr. JANTZEN. Mr. McAllester advises in about 90 days.

Senator McCLURE. Do we have any approved appraisals for this refuge?

Mr. JANTZEN. With the tracts we have acquired, there is an approved appraisal. There are appraisals under way on the other tracts we have an interest in acquiring.

LEATHERBACK SEA TURTLE ACQUISITION

Senator McCLURE. The leatherback sea turtle acquisition proposed for the Virgin Islands would have us purchase one tract of 230 acres for about $3.5 million, for an average per acre cost of $15,217. Do we have an approved appraisal for this property?

Mr. McALLESTER. Yes; we just had an appraisal finished. The appraisal is $1.3 million.

Senator McCLURE. For the 230 acres?

Mr. McALLESTER. For the 230 acres, including a 10-year sand mining reservation, which reduces the value.

Although the appraisal has been approved; we consider it to be on the low side. We anticipate that the purchase would end up probably between $1.3 and $2 million.

Senator McCLURE. Is there a need for year-round staffing for this refuge, assuming acquisition were to be completed in fiscal year 1984, or would the refuge be operated with a less-than-full-time staff?

Mr. McALLESTER. It would require full-time staffing during the turtle nesting season. One of the major problems is the public going out and collecting the turtle eggs and the turtles. There is a need for full-time staffing, particularly in that period.

Senator McCLURE. You made no request for personnel for that purpose.

Mr. McALLESTER. Since we haven't requested funding for 1984 for the purchase; there's no need for personnel.

PROTECTION OF WATER QUALITY

Senator McCLURE. All right.

What is the authority for acquisition of lands adjacent to the Leetown National Fisheries Center in order to protect the quality of water supply?

Mr. McALLESTER. The authority would be under the general authority of the Fish and Wildlife Act of 1956.

Senator McCLURE. Are there other legal authorities for the acquisition of this property?

Mr. McALLESTER. Yes; some of the authorities of the Fish and Wildlife Act of 1956 are duplicated in the Recreational Act of 1962, which would also apply.

WATER IMPROVEMENTS—KOFA, NWR

Senator McCLURE. We have purchased water improvements with resource management appropriations at the Kofa NWR. Is there a similar way to acquire this property?

Mr. McALLESTER. In this instance we would be actually acquiring the land, whereas in the Kofa situation the water improvements were built by the grazing permittee on public domain land, so the situation is different. We should acquire the land in this case.

Senator McCLURE. Is there concrete evidence that water quality is declining?

Mr. MCALLESTER. I'm led to believe that the water quality is declining. With the development of urban sprawl and increased use of trailers in that area, we expect that water quality will decline more rapidly in the future.

Senator MCCLURE. Are there alternate approaches to maintaining water quality other than land acquisition?

Mr. JANTZEN. Mr. Chairman, from the information that I have received on that particular project, protection of the watershed and its water sources is the optimum way to go. There may be alternatives, but I don't think they would guarantee protection of the water supply.

ALTERNATIVES TO LAND ACQUSITION

Senator MCCLURE. Have you examined alternatives and comparable costs?

Mr. JANTZEN. We have examined the possibility of land exchange.

Senator MCCLURE. But that's all?

Mr. JANTZEN. That's still acquisition.

Senator MCCLURE. Are there any other alternatives?

Mr. JANTZEN. No, sir; not to the extent that we could give you a dollar figure for cost, to our knowledge.

Any alternatives would be considered in the land protection plan.

COST OF WATER TREATMENT

Senator MCCLURE. Well, what about cost of water treatment? Isn't that a possibility?

Mr. JANTZEN. It is a possibility, Mr. Chairman, but water treatment costs can run quite high with the plant cost capital investment and operating and maintenance.

Senator MCCLURE. I'm sure that's true. So can land acquisition costs.

I just wondered if you'd made a comparison, so we know we're on a firm footing, so land acquisition is less costly than water treatment.

Mr. MCALLESTER. Those analyses should be contained in the land protection plan.

Senator MCCLURE. When will that plan be completed?

Mr. MCALLESTER. I think the alternatives were considered when the original decision was made to acquire the land. The water filtration or recirculation costs go on year after year, whereas land acquisition is a one-time cost, plus the cost of administering the land and the revenue sharing.

Senator MCCLURE. Could you provide for the record what that analysis is?

Mr. MCALLESTER. Yes, sir.

LAND PROTECTION PLAN

Senator MCCLURE. Could you tell me when that land protection plan will be completed?

Mr. MCALLESTER. Yes; we will put it in the record.

Senator McCLURE. Supply it for the record.
Mr. JANTZEN. Yes, sir, we will.
[The information follows:]

WATER TREATMENT FOR THE LEETOWN NATIONAL FISHERIES CENTER IN LIEU OF WATERSHED PROTECTION BY LAND ACQUISITION

This proposal for construction and operation of a water treatment system is based on the following assumptions and considerations. Protection of the water supply through land acquisition requires a knowledge of both the surface watershed and of the recharge zone of Bell Spring. Base flow entering the storage reservoir which supplies the Center comes from the spring. Normal flow is approximately 5 cubic feet per second. As a result of precipitation there will be some water taken from surface runoff which will also have to go through the treatment system. Although the hazard of all contaminants may not appear simultaneously, over a period of years we would expect this vicinity to receive the type of development that would result in oil contaminants, heavy metals, biological contaminants, and organic compounds. The quality of water required by the Center must be capable of holding trout or salmon (coldwater species) without physical stress that obscures experimental results in disease and genetic research. The following list of components and costs of a water treatment system to meet the needs of the Center were provided by the Service's Denver Engineering Center. Cost estimates are 1983 dollars in thousands.

Gravity separation for oil contaminants	$100,000
Clarification and sedimentation; removal of heavy metals, including phosphate	3,800,000
Flocculation and filtration; physical removal of residues from above steps	4,900,000
Ultra violet disinfection for biological organisms	900,000
Partial removal of herbicides, pesticides, and other organic compounds. Total removal is very difficult and costly	6,000,000
Sludge treatment; a process to dewater the fraction to be discarded. This will require 10 to 20 acres of land for settling ponds	1,000,000
Miscellaneous and overhead	900,000
Total	17,600,000

If the system results in the appreciable addition of heat, a chiller will have to be added to keep the temperature at the optimum level for coldwater species in the warmer months. The engineers have estimated the annual cost of operation at $500,000.

By comparison, land acquisition would have an initial cost of approximately $350,000 with minimal operation and maintenance costs and annual revenue sharing costs of $2,625.

The land protection plan for Leetown is scheduled to be completed June 30, 1984.

MASON NECK, NWR

Senator McCLURE. Mason Neck National Wildlife Refuge is ranked 14th on your prior list. If it is critical to bald eagle habitat, why is it ranked so low?

Mr. JANTZEN. Mr. Chairman, we have had some success in the past in working with the landowners and with a county entity. The establishment of priorities took that into consideration, because it was a cooperative effort there.

Mr. McALLESTER. The habitat on Mason Neck is not really critical endangered species habitat. It was not acquired as an endangered species area. It was authorized under the Recreational Act and was part of a cooperative effort between the State and the regional park authority. The amount of eagle use has improved there, and it is an

important habitat for the eagle, but it is not really an area such that eagles would go extinct without it.

Senator McCLURE. This is not listed or ranked on the project for endangered species projects?

Mr. McALLESTER. That's correct.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. I think I'll submit the balance of the questions for the record. I do appreciate your testimony. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Kirtland's Warbler National Wildlife Refuge

Question: For the Kirtland's, has the $500,000 appropriated in FY 1983 been obligated? If not, why not?

Answer: As of the end of April, the Service will have obligated $150,000 for the purchase of 3 properties totaling 435 acres. Nearly all of the properties within the project are undeveloped timberlands used for recreational purposes. Cabins are located on some of the tracts. The owners of these recreational cabins reside throughout the State of Michigan. Letters were sent to each cabin owner soliciting their interest in selling. Appraisals were conducted and title evidence obtained. We are just now beginning to see the results of the preacquisition work. We anticipate that the entire appropriation will be obligated by the end of this fiscal year.

Question: How much land do we eventually want to acquire there?

Answer: The private lands within the Kirtland's Warbler management areas total about 4,500 acres, but until the land protection plan is completed it is impossible to state how much acreage would have to be acquired. The public State and Forest Service lands also will be managed for the warbler.

Question: Is there any evidence that the acquisitions to date have helped the prospects of long-term survival of the warbler?

Answer: The Service has acquired tracts that are currently used by warblers or have been used in the recent past. Since the first Service acquisitions were accomplished in FY 1980, results of the management on these tracts will not be readily evident until FY 1988 because the age class of the jackpine required for warbler nesting is 8 to 21 years old. Habitat will need to be cut, burned and replanted on a rotational sequence to ensure survival and recovery of this bird. It will be eight years before management techniques will provide trees large enough for potential nesting habitat.

However, warblers are nesting in man-made habitat that the State dedicated and the Service and State manage. On this basis, the Service expects that warblers will begin nesting on tracts the Service has acquired. These tracts will be cooperatively managed with the State.

Question: Have we executed all of the exchanges that are feasible between the States, the Fish and Wildlife Service, and the Forest Service?

Answer: Yes. Exchanges have been completed between the Forest Service and the State and also between private owners and the State to consolidate ownerships.

San Francisco Bay National Wildlife Refuge

Question: Your third acquisition priority is the San Francisco Bay National Wildlife Refuge in California. Why is this refuge listed so highly?

Answer: Until land protection planning is complete and determines acquisition to be preferred alternative, acquisition priority cannot be established. However, from a resource perspective, San Francisco Bay NWR contains only a remnant sample of the salt marsh habitat which once existed in San Francisco Bay. Six federally-listed species, several candidate plant and animal species, and several State listed species find refuge at San Francisco Bay. The area is a major migrational staging and wintering area for waterfowl and shorebirds of the Pacific flyway. The refuge provides much needed wildlife-oriented public use and interpretation and education programs.

Question: How many endangered species does it support? For each species, what percent of needed habitat does this refuge represent?

Answer: Six listed species incidentally or substantively use the existing habitat afforded by San Francisco Bay NWR, as well as those areas proposed to be added to the refuge. The refuge contains 90-100 percent of remaining habitat for the California clapper rail. The salt marsh harvest mouse has been found to range into the San Joaquin delta, thus the refuge represents 60-70 percent of the needed habitat for this species. California least terns use the refuge primarily for feeding; however, the refuge does provide breeding habitat in the northernmost extension of their range. The refuge may represent 10 percent of needed habitat for this species. Brown pelicans occasionally feed at San Francisco Bay NWR when ocean temperature and current conditions cause them to range this far north. Bald eagles and peregrine falcons occasionally use the refuge. The percent of needed habitat represented by San Francisco Bay NWR for the pelican, eagle, and peregrine falcon would approach 5 percent for each species.

Question: How near is the unit to completion?

Answer: By the end of FY 1983, the unit will be approximately 90 percent complete.

Lower Rio Grande Valley NWR

Question: Your fourth acquisition priority is for the Lower Rio Grande Valley NWR in Texas. Why is this refuge ranked so highly? Is the major need habitat for endangered species or is it to preserve a type of native habitat and also provide opportunities for recreational birding?

Answer: As your question shows, you are aware of the many facets of the habitat protection program at Lower Rio Grande Valley NWR. Three Endangered species occur within the project area, as well as approximately 90 other species of concern. The primary purpose of the project is to preserve existing remnants of important wildlife habitat in the Valley by establishing a habitat corridor along the Rio Grande River through a combination of various protection strategies implemented by various groups.

Question: Why is this refuge ranked above other endangered species refuges, such as the leatherback sea turtle or the bald eagle at Mason Neck?

Answer: Until land protection planning is complete and determines acquisition to be the preferred alternative, acquisition priority cannot be established. During the course of establishing habitat protection priorities, Service Programs review all potential projects and agree on a priority ranking. The Lower Rio Grande Valley NWR attains a high Service priority because of its importance to several Service Programs. In order to most efficiently use monetary and personnel resources, the Service has identified as having highest wildlife habitat protection needs: 1) those projects that serve the most critically Endangered species and/or plant communities, and 2) those projects that benefit the largest variety of sensitive wildlife and plant resources. Projects, such as Sandy Point (leatherback sea turtle) and Mason Neck (authorized under the Recreation Use of Conservation Areas Act of 1962, not the Endangered Species Act) do not contain the diversity of critically threatened plant and animal species that the Lower Rio Grande NWR does.

Leetown National Fishery Center

Question: Is there concrete evidence that water quality is declining?

Answer: At the present time, there is no evidence of the presence of contaminants in the water supply of the Leetown Center. The concern is that the land within the watershed has excellent potential for industrial or residential development which would no doubt impact the water quality. The Leetown Center is a major fishery research facility and even low level contamination of the water supply would seriously jeopardize its ability to carry out this function.

Question: Are there alternate approaches to maintaining water quality other than land aquisition? What are they and what are the comparable costs?

Answer: The only other possible alternative would be installation of facilities for removal of contaminants from the water before it enters the research facilities. Contaminants would have to be removed to a sufficiently low level at which they would not interfere with or mask experimental results in disease and genetic research. Although all contaminants may not appear simultaneously, if the water shed were developed, we would expect eventual contamination by oil products, heavy metals, biological contaminants, and organic compounds sufficient to interfere with experimental results. The facilities that would be required to adequately remove contaminants from the normal water flow of about five cubic feet per second would be relatively expensive. Fish and Wildlife Service engineers have estimated the cost of the required facilities in FY 1983 dollars as follows:

Gravity separation facilities for oil contaminants.	$ 100,000
Clarification and sedimentation facilities for removal of heavy metals and phosphates.	3,800,000
Flocculation and filtration equipment for removal of residues from above steps.	4,900,000
Ultraviolet disinfection facilities for biological organisms.	900,000
Facilities for removal of herbicides, pesticides and other organic compounds.	6,000,000
Settling ponds and sludge treatment.	1,000,000
Engineering overhead and construction contingencies.	900,000
	$17,600,000

If the system results in appreciable addition of heat, it may be necessary to add water chillers to maintain the proper water temperature for the research. Operation of these chillers could cost up to $500,000 annually.

Based on comparison of the potential costs, aquisition of the land to protect the watershed would be the preferred alternative.

Mason Neck National Wildlife Refuge

Question: Please describe for the record your efforts to date to negotiate a bargain purchase.

Answer: There are three inholdings within the Mason Neck Refuge; two private tracts totaling 310 acres and the 45-acre Nature Conservancy property. An appraisal is now being conducted on the largest property, the subdivided 296 acres. There have been no negotiations involving price between the Service and the landowners. Public Law 91-646 requires that a just compensation statement based on the approved appraised value be presented to a landowner prior to any negotiations involving price.

Protection Island National Wildlife Refuge

Question: In FY 1983, the Committee appropriated $2.0 million for land acquisition at Protection Island, Washington. As of March 31, 1983, only $40,000 had been obligated. Why?

Answer: The Service is in the initial phase of the acquisition procedure. Letters have been sent to all 528 landowners comprising the 800 lots. Only about five of them indicate any interest in selling for the assessed value of $1,000 to $1,500 per lot. We are now involved with getting correct addresses, title evidence, appraising the lots, determining compatible use reservations, and completing the Land Protection Plan.

One landowner group is requesting that the Land Protection Plan be completed prior to any acquisition. The draft Land Protection Plan is currently being mailed to all landowners and should be completed by the time appraisals are completed.

Question: Protection Island is not included in your first $100 million worth of priority projects. Is there work yet to be done? What?

Answer: The final Land Protection Plan and appraisals are the major tasks to be completed. We anticipate only $200,000 of the $2 million will be obligated this fiscal year. Due to the large number of landowners involved and the resultant large number of appraisals, an estimated $1.8 million may be carried over into the next fiscal year.

Migratory Bird Conservation Fund

Question: You have proposed an increase in the Duck Stamp price from $7.50 to $15.00 and you anticipate receiving about $24,750,000 in Migratory Bird Conservation Account funds (MBCF) as a result of Duck Stamp sales. These funds will be used to acquire about 47,000 acres (in fee or in easement) in FY 1984. Is there any practical distinction between lands acquired through the MBCF and lands that can be acquired through the Land and Water Conservation Fund?

Answer: The distinction is that the Migratory Bird Conservation Act funds are used solely for purchase of lands or interests therein, which are of primary benefit to migratory birds; the Migratory Bird Conservation Commission has historically restricted MBCA fund expenditure to migratory waterfowl. Land and Water Conservation Fund Act monies are appropriated for acquisition of: 1) Endangered and Threatened species habitat; 2) areas authorized by section 2 of the Recreational Use of Conservation Areas Act of 1962; 3) National Wildlife Refuge areas under section 7(a)(g) of the Fish and Wildlife Act of 1956 except migratory waterfowl areas which are authorized to be acquired by the Migratory Bird Conservation Act of 1929, as amended; and, 4) any areas authorized for the National Wildlife Refuge System by specific acts.

Question: Is it correct to say that each source of funds has a few unique purposes but that they overlap in a broad sense?

Answer: Yes, that could be correct in a broad sense in that they both bring wildlife habitat into the National Wildlife Refuge System. Each fund has its unique purpose. They both may protect wetlands, but the MBCF is primarily for waterfowl and LWCF for all species, with waterfowl being incidental. The number one priority use of LWCF is endangered species, with other uses involving areas of national concern containing mammals and other migratory or non-migratory birds.

Question: What would be the Service's land acquisition priorities if Congress were to provide, say, a $25 million advance from the unappropriated balance in the Wetland Loan Fund?

Answer: Since the Service is requesting the price of the Duck Stamps to be doubled, it believes there is no need to request an advance. If this funding were appropriated, the Service would continue to place the acquisition emphasis where it is now: the prairie pothole breeding areas in the upper midwest; wintering habitat in California's Central Valley; the Texas Gulf Coast; and the Louisiana, Mississippi, Tennessee, Kentucky and Arkansas bottomland hardwoods of the Mississippi River Delta. More emphasis would likely be placed on the black duck wintering habitat on the Atlantic coast.

Ash Meadows

Question: Has the FWS had any contact with the landowner at Ash Meadows, Nevada?

Answer: Yes. The FWS has been in contact with the landowner for more than a year, discussing the impact of proposed development on the more than

20 endemic species in the area, discussing a potential land exchange involving the Bureau of Land Management (BLM), and discussing various development and conservation alternatives. Both direct personal contact and written correspondence have been accomplished with the landowner. The latest meeting was held in Las Vegas, Nevada, on May 10, 1983, and involved FWS staff from the Regional Office (Portland, Oregon) and Washington Office, and the landowner. Development plans continue to be pursued by the landowner.

Question: Please provide a complete report on this parcel for the record, including your analysis of acres to be acquired; FWS use if acquired; a description of what rights the landowner would lose if the pupfish and speckled dace are listed.

Answer: The precise method(s) of protection has(have) yet to be determined, as well as the precise acreage. However, the endemic species' habitat that is owned by Preferred Equities Corporation, Inc., is approximately 13,000 acres. Should the Service acquire any part of the property, that part would become a unit of the National Wildlife Refuge System, with management aimed at preservation of the unique Ash Meadows ecosystem. Possible uses might include public viewing, research, or waterfowl hunting. A viable management alternative is that the Nevada Department of Wildlife may manage the area under cooperative agreement with the Service or that the BLM may manage the land.

The Ash Meadows Amargosa pupfish and Ash Meadows speckled dace are currently listed under an emergency rule that initially became effective May 10, 1982 (a second emergency rule was necessary to extend protection). Moreover, two other fish species, the Devil's Hole pupfish and the Warm Springs pupfish, also occur in Ash Meadows. These have been listed since 1967 and 1970, respectively. A landowner loses no property rights when a species that occupies his property becomes listed; the only restriction that applies to private citizens under the Endangered Species Act is that of "taking" and this applies only to animals. The "taking" prohibition is currently in effect, since the pupfish and speckled dace are currently listed--permanent listing will not affect this current situation.

Question: Where would that project fit on your priority list?

Answer: Due to the threat to the ecosystem and the number of endemic species, an Ash Meadows habitat protection proposal would likely rank very high on any FWS list for immediate action. Until land protection planning is complete, however, it is unknown whether acquisition is the preferred alternative.

Florida Panther - Fakahatchee Strand

Question: Where would the Florida panther acquisitions occur?

Answer: The Fakahatchee Strand project area surrounds the Fakahatchee Strand State Preserve on the east, north, west, and partially on the south in Collier County, Florida. The Land Protection Plan is being developed, with protection strategies to be implemented by various entities (State and Federal) being analyzed.

Question: Does land acquired through the Park Service for Big Cypress National Preserve, Florida provide protection for the Florida panther?

Answer: Yes. There are two major activity centers for the remaining 20 Florida panthers. The Fakahatchee Strand and the Big Cypress National Preserve each encompass one of the activity centers.

Question: Which project has the higher priority?

Answer: Both are of relatively equal biological value to the Florida panther. However, due to the lack of permanent protection for Fakahatchee Strand, unlike that afforded to a significant portion of Big Cypress National Preserve, the Fakahatchee Strand would be of higher priority.

The Nature Conservancy Holdings

Question: The Committee understands that The Nature Conservancy holds three parcels acquired with some assurances by FWS that funds would be sought for acquisition at a later date. These projects are Banks Lake, Georgia; Leetown Fish Hatchery, West Virginia; and, Harbor Island, Michigan. Where do these projects rank in the FWS priority?

Answer: Each of these acquisitions by The Nature Conservancy were supported by the Service with letters indicating the Service's intent to acquire these lands from The Nature Conservancy. However, two of the three are currently not high priority habitat protection projects. The Leetown National Fishery Center project is high priority because of the need to protect water quality. Until completion of land protection planning the preferred method of land protection will not be determined.

The Banks Lake, Georgia, unit was not within the priority list since the State of Georgia has indicated its interest to acquire the unit. Since it would be a new unit, according to policy, special legislation would be required for its establishment as a national wildlife refuge.

The Harbor Island, Michigan, unit is somewhat similar in that a private conservation organization was interested in purchasing and preserving this habitat. That purchase was not made and The Nature Conservancy is now looking for another private organization that would acquire it with a conservation easement retained by The Nature Conservancy. If the Service were to acquire this island, it would be as an addition to the Michigan Island NWR and would not require special legislation.

Acquisition Strategies

Question: Does the Service have a long-range land acquisition strategy? For example, there are a number of refuges where the FWS owns less than, say, 20% of the habitat needed to provide protection and where there is little reason to hope that the situation is going to improve drastically in the short term or even, in some cases, in the long term. How is the FWS attempting to cope with that reality?

Answer: Yes, the Service has a long-range land acquisition strategy. The projects are known, their threats of destruction imminent in some cases and distant for others. Until land protection planning is complete on a project, however, it cannot be determined if acquisition is the preferred method of protection. Even though we have a long-range habitat protection strategy, the Service cannot always predict, or be involved in, changing land use decisions. Wildlife habitat in private ownership can quickly become developed or otherwise destroyed or threatened. Changing threats cause shifts of emphasis; the Service attempts to maintain the flexibility to enable protection of the most critical areas, especially endangered species habitat, on short notice. We continually attempt to monitor important areas through various Service Programs and relay to the owners the necessity for protecting the habitat.

Question: Can you take a few refuges as examples for us (take those where 1- the Service owns less than 10%; 2- the remaining lands are in multiple ownerships; 3- Congress has not provided any acquisition funding in the last three years; and 4- the cost to complete acquisition exceeds $5 million, and explain how the FWS intends to accomplish similar habitat preservation objectives.

Answer: An example of each problem would be as follows:
1- After FY 1983, the Service plans to own approximately 7% of the habitat necessary to preserve the several species and communities of concern at the Lower Rio Grande NWR. The Land Protection Plan is being developed and continued interest and cooperation is shown by the State of Texas and several private groups in the project.

2- Two examples of remaining multiple ownerships are the Bon Secour NWR, Alabama, and the Great Dismal Swamp NWR, North Carolina and Virginia. The

Service will have acquired 25 percent of the land and only 3 percent of the ownerships at Bon Secour, and 90 percent of the land and 20 percent of the ownerships at the Great Dismal Swamp through fiscal year 1983. Land Protection Plans will be of great help in determining the priority and need for the remaining small multiple ownerships. The Land Protection Plan process will solicit the landowners' input concerning various methods of preservation, including fee-title.

3- The Mississippi Sandhill Crane NWR, Mississippi, is an example of a refuge that has not received LWCF monies in the last three years. The acquisition of nearly 16,000 acres of the species' critical habitat has removed the threats of housing subdivisions, a planned county airport and their associated commercial development. The remaining 7 ownerships totaling 881 acres must be monitored for development threats. The last appropriation for this unit's acquisition was in 1979. Protection of the remaining tracts is necessary to adequately manage the refuge.

4- There are several units where the cost to complete acquisition exceeds $5 million. A few examples are: Bon Secour NWR, Alabama; Crocodile Lake NWR, Florida; Minnesota Valley NWR, Minnesota; Lower Rio Grande Valley NWR, Texas; and, National Elk, Wyoming. The Nation's current economic condition requires fiscal restraint. The Service will handle this category much the same as the others. The landowners will participate in the Land Protection Plan process and the Service will monitor threats and discuss protection and development alternatives with the landowners.

NATIONAL PARK SERVICE

STATEMENT OF RUSSELL E. DICKENSON, DIRECTOR

ACCOMPANIED BY:

DANIEL E. SALISBURY, ASSISTANT DIRECTOR, FINANCIAL MANAGEMENT AND DATA SYSTEMS

WILLIS KRIZ, CHIEF, LAND RESOURCES DIVISION, NATIONAL PARK SERVICE

CRAIG POTTER, DEPUTY ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

INTRODUCTION OF ASSOCIATES

Senator MCCLURE. We will now hear from the National Park Service for both the State side of the Land and Water Conservation Fund and for Federal land acquisition.

Our lead witness today will be Mr. Russell Dickenson, Director of the National Park Service who is, again, welcome before our committee.

If you will introduce your associates for us we will proceed with the questions.

Mr. DICKENSON. Thank you, Mr. Chairman.

Present, to my left, Mr. Willis Kriz, Chief of our Land Resources Division, and then on my far right is Dan Salisbury, who is our Assistant Director for Financial Management and Data Systems.

APPROPRIATIONS FROM THE LAND AND WATER CONSERVATION FUND

Senator MCCLURE. For the record, we would note that Congress appropriated $75 million to the States in fiscal year 1983 and another $40 million for the States in the jobs bill. The fiscal year 1984 budget request for the States is zero. For Federal acquisition in fiscal 1983, including the Pinelands National Preserve, the Congress appropriated $67,505,000.

The fiscal year 1984 budget request for the National Park Service land acquisition totals $54,671,000.

The administration did not propose funds in either fiscal year 1982, fiscal year 1983 or fiscal year 1984. But Congress went along with a 1-year moratorium in fiscal year 1982; however, we have provided a total of $115 million in fiscal year 1983 so far.

What would be your evaluation of the soundness of the local expenditure of these funds?

ASSISTANCE TO STATES

Mr. DICKENSON. There's no question but that the benefits that have flowed from the State side of the land and water conservation program

have been substantial. But in an area such as we are now, it has been the administration's position that there is a belt-tightening necessary with the kind of balances that have prevailed on the State side, that funding could wait until a more appropriate future time.

Indeed, at the end of the current fiscal year our estimate is that there will be a $288 million obligated but unpaid balance still remaining on the State side.

SWEENEY RIDGE LAND NEGOTIATIONS

Senator McCLURE. Mr. Dickenson, back on March 16, 1983, I sent Secretary Watt a letter urging him to direct the Service to "proceed expeditiously to negotiate, in good faith, with the landowner for the acquisition of Sweeney Ridge."

I went on to say that:

> The committee will not consider a reprograming proposal to divert funds from Sweeney Ridge until the owner has rejected an offer for the approved appraised value or has made a counteroffer that is unacceptable to the Park Service.

That letter was cosigned by Senator Byrd, the ranking member of this subcommittee.

Has the Service begun its negotiations with the owner of the Sweeney Ridge property?

Mr. DICKENSON. We have, sir.

Senator McCLURE. When did you begin those?

Mr. DICKENSON. Within the week.

Senator McCLURE. Who represented the Park Service?

Mr. DICKENSON. The regional director, Mr. Howard Chapman, and the members of his technical staff.

Senator McCLURE. What were their instructions regarding the suggestions made in our letter that they negotiate in good faith?

Mr. DICKENSON. Of course, the negotiations are still underway, and there have been no conclusions drawn from that to date, Mr. Chairman.

Senator McCLURE. Did you give them any instructions in this regard?

Mr. DICKENSON. We instructed the regional director to make an offer based upon the results of the most recent appraisal obtained. The instructions of the House Appropriations Subcommittee. That was $3.2 million, and the first negotiating with West Aspen, the corporation involved, involved that offer.

Senator McCLURE. Have the owners declined the offer?

Mr. DICKENSON. It is my understanding that there has not been a declination, as additional meetings and discussions will continue, although they have presented to Mr. Chapman some additional information regarding their point of view regarding the appraisal obtained by the Government.

Senator McCLURE. Were the representatives of the Park Service empowered to act on behalf of the Assistant Secretary?

Mr. DICKENSON. They were empowered to make the offer in accordance with the existing appraisal.

Senator McCLURE. Could they conclude the deal, or does it have to come to Washington for that?

Mr. DICKENSON. It has not been concluded. Additional discussions are indicated.

Senator McCLURE. Are they authorized to conclude the transaction, or does it have to come back here for approval?

Mr. DICKENSON. I would say this, Mr. Chairman: that it would have to come back. It will have to come back.

Senator McCLURE. Even if the owners accept the offer made?

Mr. DICKENSON. I'm saying yes; but I also really do not expect that. I think there are going to be negotiations, give and take.

Senator McCLURE. What would happen if they did accept the offer made?

Mr. DICKENSON. If they accept the $3.2 million, Mr. Chapman has authority to conclude the deal.

Senator McCLURE. He has authority to conclude it if they accept?

Mr. DICKENSON. Yes, sir, based upon that.

SWEENEY RIDGE APPRAISAL

Senator McCLURE. In your professional opinion, is the National Park Service appraisal for Sweeney Ridge, which was done about 1 year ago, still current and accurate?

Mr. DICKENSON. I'm going to ask Mr. Kriz, if I could, to respond. He's the land acquisition technician.

Mr. KRIZ. Mr. Chairman, an appraisal is generally regarded as valid for about 6 months. The appraisal is at this time about 9 or 10 months old, so there's some question about its validity. It would depend, of course, on the circumstances, whether there has been a great deal of market activity since the appraisal, whether there have been comparable sales that would indicate a higher value. It's a matter of judgment.

Senator McCLURE. Have any of the local zoning laws that affect housing density changed since that appraisal?

Mr. DICKENSON. My understanding is that the community and the city of Pacifica have made some changes.

Senator McCLURE. That would affect the appraisal, would it not?

Mr. DICKENSON. I believe there might be some changes.

Senator McCLURE. I think, if I recall the effect of that zoning ordinance, it could have a considerable effect upon the value, would it not?

Mr. DICKENSON. I'm not personally familiar with that, so I can't really comment. But I have been informed by staff that some changes by the city have occurred, and we are aware that there will be some changes in the existing price.

Senator McCLURE. Have interest rates changed in the last year?

Mr. DICKENSON. They certainly have. There have been changes in interest rates, yes, sir.

Senator McCLURE. What is NPS' current estimate of the value of Sweeney Ridge?

Mr. DICKENSON. The existing appraisal is $3.2 million.

Senator MCCLURE. Is that your current estimate of value?

Mr. DICKENSON. Until it changes, that's our current estimate; yes, sir. I understand it's $3.29 million, to be more precise.

SWEENEY RIDGE ACQUISITION ACTIVITY

Senator MCCLURE. I understand that.

It's difficult for me to conclude that you are very interested in purchasing this property, or very interested in carrying out the directions from the Congress in that regard. I know you don't regard the project as a very desirable one from your point of view, or not worth the amount appropriated by the Congress.

But I think the facts are you don't have a current and accurate estimate of value, and if that's all you have gone to the owners with is a 1-year-old appraisal, that doesn't sound to me like you're really negotiating in good faith.

Mr. DICKENSON. Mr. Chairman, let me hasten to add to what you just stated.

The Park Service has not made any judgment or made any opinion regarding the merits of the land itself. The only position that we have ever taken regarding Sweeney Ridge is that the funds which Congress had appropriated for the acquisition of Sweeney Ridge were needed for another priority; the priority being our deficiency payments.

Senator MCCLURE. But certainly you know that you have made some relative value assessment, at least in your mind.

Mr. DICKENSON. Only in the sense when funds are limited, priorities have to be met, and that is the only kind of action we have taken per Sweeney Ridge.

Senator MCCLURE. Secretary Watt said in a letter to us, "The National Park Service professionals don't think it's very valuable to the Park Service."

Is he incorrect in that statement?

Mr. DICKENSON. I would, of course, never want to challenge the Secretary's statements here.

Senator MCCLURE. I didn't think you would.

Mr. DICKENSON. But I don't know of anyone in a leadership position in the National Park Service who would advise the Secretary of that.

Senator MCCLURE. I assume he must have gotten that from something—from professionals.

Mr. DICKENSON. I'm sure he had conversations with someone, Mr. Chairman. But in our instance, the only position we are taking with the Secretary or the committees is that we very much need some reprograming actions in order to meet our deficiency payments, and that's how we view Sweeney Ridge.

PETIT BOIS ISLAND

Senator MCCLURE. I have some technical questions on Petit Bois Island which I'll submit for the record with respect to the actions that have been taken.

Some of that record and some of the court memoranda and internal memoranda are interesting reading. I wish I had more time to go into it now, but I would invite those who think they might be interesting to dig them out.

PREPARED STATEMENT

The statements, of course, and your responses, will be included in the record when received.

[The statements follow:]

STATEMENT OF J. CRAIG POTTER

I appreciate this opportunity to discuss the administration's recommendations for funding from the Land and Water Conservation Fund for fiscal 1984.

The total request for the Department of the Interior is $54.8 million, $54.7 million for the National Park Service and $0.1 million for the Bureau of Land Management. No land acquisition funds are requested for the Fish and Wildlife Service. Within the Department of Agriculture, $10.1 million is requested for land acqusition for the U.S. Forest Service. The requested amounts will be used primarily for the payment of court awards, emergency and hardship acquisitions, and related expenses for acquisition management. The request does not include funding for land acquisition and administrative costs for the Pinelands National Reserve.

We have made substantial progress in implementing the administration's land protection policy. Land protection plans are now being completed for all units of the national park system with non-Federal lands. The results to date clearly indicate that there are a number .of alternatives to Federal fee acquisition which will provide the level of protection required to preserve park resources and provide for appropriate public use. We are not compromising protection for the sake of the short-term budgetary savings. Through the land protection planning process we will be able to achieve our preservation objectives in a shorter period of time with a lower expenditure of public funds.

The administration is not requesting funding for State grant assistance in fiscal 1984. We believe that such support is not a high priority in view of the continuing need to reduce the Federal deficit. This concludes my prepared statement. Representatives of the individual agencies requesting funding from the Land and Water Conservation Fund are here with me to answer your specific questions.

STATEMENT OF RUSSELL E. DICKENSON

Mr. Chairman and members of the subcommittee. I am pleased to appear before you today to discuss the fiscal 1984 budget request of the National Park Service for funding from the Land and Water Conservation Fund. I have some brief opening remarks I would like to make before addressing your specific questions. For fiscal 1984 the National Park Service is requesting $50.1 million for land acquisition to cover anticipated awards in condemnation proceedings in six newly authorized areas, general deficiency and relocation expenses, and the related cost of appraisals, title verification, and surveys. Acquisition management expenses are budgeted at $4.6 million.

Last year I reported to the subcommittee on the initial steps we were taking to implement the new land protection policy. Over the past year we have made substantial progress in that regard. Land protection plans are being prepared or revised for the 195 units of the national park system having non-Federal lands within their boundaries.

We have scheduled 71 of these plans to be completed by the start of fiscal 1984. These new plans explore alternatives for the protection of park resources and will only recommend full fee purchase when no other acceptable alternative exists for achieving the Service's preservation objectives. The plans will also provide a useful inventory of requirements for future requests for land acquisition funds. In the long run they will enable us to protect park resources at a minimum cost to the taxpayer.

We are not requesting funding for State grants in fiscal 1984. We estimate that unpaid grant balances, consisting of funds obligated but not yet reimbursed to the States, will exceed $288 million at the start of fiscal 1984. In view of the continued need to hold down Federal deficits as well as the still sizeable level of unpaid balances outstanding, we believe that Federal grant assistance should not be provided in fiscal 1984. Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or the members of the subcommittee may have.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. We will have additional questions for the record for each of the agencies, which will be submitted to you in the next few days.

I want to thank you for your testimony today.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

State Land and Water Conservation Fund

Question: On the State side, Mr. Dickenson, what is your sense of the continuing need for Federal funding for recreational planning, development and land acquisition activity at the State and local level? Is there a consensus that the demand for local or State recreation resources is increasing or decreasing?

Answer: The demand for local and State recreation resources continues to increase as workers have more free time and live longer after retirement. However, to finance recreation planning, acquisition, and development, States are now using a number of alternate funding sources including bond issues, user and entry fees, lotteries, income tax write-offs for donations, and special taxes on motor fuels, liquor, cigarettes, and oil and mineral revenues.

Question: Has the Administration considered regulatory changes that would emphasize or deemphasize particular portions of the grant program? If so, what?

Answer: There are no codified regulations for the L&WCF program, but in fiscal 1983, the Open Project Selection Process is required for States to assure that an equitable selection of projects is achieved in accordance with the priorities identified in the Statewide Comprehensive Outdoor Recreation Plan. The Open Project Selection Process is also essential to meet the requirements of Title VI of the Civil Rights Act of 1964.

Question: We will ask that you keep us informed on the progress made by the States in obligating and expending these funds, throughout FY 83, as we evaluate the need for funding for the States in FY 84.

Answer: Yes. We will be happy to keep the Committee informed.

Land and Water Conservation Fund

Question: For the National Park Service, your budget estimate for FY 84 for deficiencies and relocation expenses totals $56,800,000. Are there any other deficiencies that are likely to come due in FY 84? Is any of the money proposed for 84 for new acquisition?

Answer: Based on our best estimate at this time, there are no other deficiencies that will come due in fiscal 1984. However, there is currently outstanding the balance on the Petit Bois condemnation. If paid by October 1, 1983, the balance due is $5.1 million. It is possible that there will be an additional deficiency need in fiscal 1983 at Sleeping Bear Dunes National Lakeshore that could total as much as $10 million. If these awards materialize they could not be funded through reprogramming because the Committees specifically disallowed our request for funds for this area in the 1983 budget. Any awards that might occur in 1983 would be in addition to the estimated deficiency need of $12 million for 1984.

Congaree Swamp and Sleeping Bear Dunes

Question: Why is it that $37,000,000 of the $56,800,000 is proposed for two projects (Congaree Swamp National Monument and Sleeping Bear Dunes National Lakeshore) that are in excess of the currently authorized acquisition ceiling?

Answer: The $37 million for Congaree Swamp National Monument and Sleeping Bear Dunes National Lakeshore will be required to pay deficiencies on condemnation cases. At the time the cost estimates were prepared on which the statutory ceilings were based, there was no way to predict that the awards on condemnation cases at these two areas would be of such magnitude. Legislation to increase the statutory ceiling at these areas in the requisite amounts has been introduced.

Land Protection Planning Process

Question: We often hear that the Land Protection Planning Process is used to slow down obligation of funds for land acquisition. How many land protection plans have been completed to date? How many National Park Service units have had land acquisition actions approved since the withdrawal of Regional land acquisition authority in September, 1982? In what types of cases are you approving acquisitions in advance of completion of the land protection plan? Of the total requests received by the Director for land acquisition action approval, how many are currently being held up? Including the Pinelands National Preserve in New Jersey, the Committee funded 17 different projects in FY 83. How many of those projects have had no obligations occur as of yet? Please provide a complete response for the record, indicating the estimated date for obligation of remaining funds.

Answer: Six land protection plans have received the Assistant Secretary's concurrence as consistent with policy. They are being prepared for printing after editing and approval by the Regional Director. Eleven additional draft plans are currently under review in the Washington Office, and a total of 71 plans are scheduled for completion by October 1, 1983.

As of April 29, 1983, approximately 24 units have had land acquisitions approved since the withdrawal of the Regional land acquisition authority in September 1982. Acquisition has been deferred on 8 tracts at 7 areas. Land acquisition is being reviewed on a case-by-case basis at those areas without approved land protection plans. This review is based on the need to acquire for high priority, hardship or emergency reasons or to acquire for administrative purposes. There are currently 11 requests being reviewed. Of the 17 projects funded in fiscal 1983 by the Committee, funds have been obligated for all but 5 projects. These 5 projects are Biscayne National Park, Cuyahoga Valley National Recreation Area, Delaware Water Gap National Recreation Area, Indiana Dunes National Lakeshore, and Martin Luther King, Jr., National Historical Site. While no Land Protection Plans have been completed--draft plans have been cleared by the Assistant Secretary for Fish and Wildlife and Parks--in compliance with the Land Protection Policy. Seventy-one are scheduled for completion this fiscal year. It is estimated that the funds appropriated in fiscal 1983 for the 17 projects will be obligated before the end the fiscal year.

Sweeney Ridge

Question: Did the owners make a counter proposal? What was the National Park Service reaction -- did they bargain or merely acknowledge the counteroffer?

Answer: The owner of Sweeney Ridge, West Aspen Corporation, made a counteroffer in the amount of $9.02 million. The National Park Service finds the counteroffer unacceptable and does not believe that continued negotiations would be productive.

Question: What are you going to do now? What are you going to do if the next appraisal establishes the value of the property at $15 million?

Answer: Since the Park Service finds the offer from the West Aspen Corporation unacceptable, the Service plans to submit a reprogramming of the Sweeney Ridge funds to the payment of outstanding deficiencies in condemnation cases.

Question: According to one of your Land and Water Conservation Fund status sheets, you "anticipate funds ($1,439,000 provided towards an anticipated deficiency in Sleeping Bear Dunes) to be charged to the Sweeney Ridge appropriation." Is it accurate to say that of the $9,600,000 appropriated by Congress for Sweeney Ridge acquisition, $1,439,000 has been siphoned off to pay a part of an anticipated deficiency that you have budgeted in FY 84? Please provide a complete statement for the record.

Answer: A total of $1,439,000 was made available to Sleeping Bear Dunes National Lakeshore to pay condemnation awards on 10 tracts consisting of some 130 acres. We had expended $2.7 million in fiscal 1982 for land acquisition at Sleeping Bear Dunes and requested $8.4 million in fiscal 1983, therefore, under

the terms of the Continuing Resolution of October 2, 1982, we paid the outstanding deficiency awards at Sleeping Bear Dunes. Subsequent to paying the awards, Congress deleted the $8.4 million from the fiscal 1983 budget request. Since no funds were appropriated to Sleeping Bear Dunes we have no alternative but to cover these expenditures from an area with unobligated appropriated funds. We do not anticipate acquiring the Sweeney Ridge tract in the Golden Gate National Recreation Area therefore, we plan to charge the Sleeping Bear Dunes expenditures against the Sweeney Ridge unobligated appropriation.

Petit Bois Island

Question: Mr. Dickenson, I have a few questions about another project that you have requested funding for in FY 84. You have requested $4,300,000 for Petit Bois Island in the Gulf Islands National Seashore. This would be in addition to the $3,700,000 we appropriated in FY 83 and in addition to the $330,000 deposited with the court as the National Park Service estimated value when the declaration of taking was filed on May 15, 1980. If we approve your budget request for $4.3 million, we will have paid $8.0 million more than our original estimate of value of $330,000 which is not yet even three years old. Is that correct? Is that all of the potential costs to the Government for this declaration of taking action? Is the $4.3 million requested in 84 to settle the deficiency on the surface award and to cover the anticipated mineral award or is the $4.3 million solely for the mineral value, as your justifications imply?

Answer: The total $4.3 million requested for fiscal 1984 will be used to pay the anticipated award on the mineral interest on Petit Bois' declaration of taking and to pay anticipated deficiencies on the 7 other tracts in condemnation. The balance due on the surface interest on Petit Bois was to be paid by reprogramming of funds this fiscal year. The Service's effort to reprogram funds to Gulf Islands National Seashore was denied by the Committees; therefore, the funds requested in fiscal 1984 will be used first to pay a portion of the balance due on the surface interest on the Petit Bois' declaration of taking. The balance due on this declaration of taking if paid by October 1, 1983, is $5.1 million. The amount due on the mineral interest will not be known until the case has been tried and there has been a judgment.

Question: Mr. Dickenson, did the Government appeal the Fifth Circuit's decision? Why not? Did Interior recommend appeal?

Answer: The Government did not appeal the Fifth Circuit's decision. The Department of Interior recommended that the decision be appealed, but the Solicitor General ruled that the Government would not appeal.

Question: I want to read a few admittedly selective excerpts from a memorandum prepared for signature of Carol E. Dinkins, Assistant Attorney General, Land and Natural Resources Division, U.S. Department of Justice to the Solicitor General recommending against appeal. I do not know whether or not Ms. Dinkins ever signed the memo but I find sections of it damaging to all parties. Please bear with me for a few minutes:

Page 2. "Having reviewed the full transcript of the 6-day trial, we can find no substantial basis on which to quarrel with the court's fact finding." Also, "The judgment here awards the landowners over 18 times the amount estimated by the Government as just compensation for the taking. The motivation to appeal is justifiably strong, and the legal bases suggested for an appeal seem plausible enough in the abstract. In the particular, however, the circumstances and the record in this case undercut appeal"

Also, "All those familiar with this case are agreed that this acquisition went badly from start to finish."

The Fifth Court separated surface values from mineral values. Page 4: "In denying the Government's motion for a new trial, the Court reaffirmed those reasons for its severance of these proceedings and added some harsh finding about the Government's conduct of this action."

Page 5. "There remains one more factor to consider. The Government's appeal in United States v. 499.472 Acres of Land in Brazoria County, Texas, Freeport

Minerals Co., et al. (Byan Mound Salt Dome), a $22.5 million debacle, is to be argued to a Fifth Circuit panel on November 15, 1982.... In large measure, we are there asking the Fifth Circuit to pull our chestnuts out of the fire, i.e., to overlook a veritable parade of horribles and sins of commission and ommission. We just may pull it off in that case, the quality of mercy not having completely disappeared from the contemporary scene. But enough is enough. Appeal of this $6 million case to the same circuit will surely increase our embarrassment and, more important, dilute the quantity of mercy available in that court."

Page 11. "Our own appraisal testimony was given little or no credibility by the court and cannot be relied on in an appeal."

Page 12. "In the midst of trial, Government counsel came to the realization that the United States might actually be acquiring substantially less land than the amount nominally taken." Also, page 13: "After the trial, the Government obtained a new survey of the property which showed that its actual size was 105 acres less than nominally taken."

Page 14. "To reject an unwarranted appeal is not, however, to foreclose the possibility of reducing this award.... A Rule 60(b) motion to reduce the judgment proportionally remains possible, if we are indeed able to prove convincingly that the property was 105 acres smaller than its nominal acreage on the date of taking."

It looks to me like the NPS 1-underestimated value by a factor of 18; 2- did not know how much land they were taking and got 612 acres instead of 717 acres; 3- had an appraiser that was not able to establish his credibility with the Court. It looks like the Justice Department 1- changed attorneys two weeks or so before the case went to trial and, though an effort was made, was unable to get a continuance; 2- missed several key points on examination or cross-examination; 3- concluded that there is no real overwhelming basis for appeal, but 4- has not given up on eventually reducing the size of the award and 5- most importantly, does not want to ask the Fifth Circuit to pull $6 million worth of chestnuts out of the fire if, as a result, $22.5 million worth of chestnuts burn up. What is the current status here, Mr. Dickenson? I understand that the owner is not satisfied that he has not been paid and has attempted to secure other Federal lands as a partial settlement. Is that correct?

Answer: A total of $3,540,000 has been deposited into the court toward the judgment on the declaration of taking on the Petit Bois tract, leaving a balance unpaid of $5.1 million, including interest computed through October 1, 1983. The owner filed a Writ of Execution on April 7, 1983, to sell portions of Gulf Islands National Seashore to satisfy the outstanding judgment on Petit Bois. At the hearing before the Judge of the District Court on May 3, 1983, the writ was dismissed.

Declarations of Taking

Question: Does this Committee review Declarations of Taking before they are filed? Who does? Is it really possible to file a Declaration of Taking without an accurate acreage or valuation estimate? Perhaps this Committee should review those actions and simply not approve some of them until the Service has done an adequate job. While we may thereby experience some unwanted development, we might save a lot of money in the long run.

Answer: The Appropriations Committees do not review Declaration of Taking proposals except in so-called inholding (pre-1959) areas. Under procedures established during the authorization hearings for Biscayne National Monument in 1968, the Service is required to obtain the approval of the House and Senate Interior Authorizing Committees before a Declaration of Taking is filed. The House Interior and Insular Affairs Committee has since withdrawn the requirement for obtaining advance approval to the filing of Declarations of Takings, but we continue to obtain the Senate Energy and Natural Resources Committees' approval prior to filing. There is seldom a basis to question the accuracy of the Government's appraisal prior to filing; the issue is not brought into focus until the defendant secures an appraisal, generally after filing and normally just before trial. The entire subject value determination was discussed in Assistant Secretary Arnett's letter of January 11, 1983, to this Committee. Among other

things, that letter compares recent court judgments to Government testimony. While it can be seen from that comparison that the Government's estimate is frequently below the court's judgment, the record is not nearly as bad as might be inferred from the one grossly disproportionate judgment in the Petit Bois case. And the results in the Petit Bois case should not necessarily be attributed to a "faulty" appraisal -- other factors seem to have played a greater role.

It is possible to find discrepancies in acreage on tracts acquired either by purchase or by condemnation when water boundaries are involved. Ocean front land, especially islands found along the Atlantic and the Gulf coasts, are always shifting and changing in size and shape.

Question: Is it your recommendation that we pay off the surface value at this time and wait for the court award on the mineral interest? Does the landowner collect interest on the unpaid amount? What is the interest rate in this case? Is there still any legal option to reduce the surface award.

Answer: It is the recommendation of the National Park Service to pay the balance on the surface taking. The landowner collects interest at the rate of 14.5 percent per annum. There is no legal option to reducing the surface award except the acreage adjustment. We will bring up that issue in the pretrial hearings on the mineral interest.

Questions Submitted by Senator Robert C. Byrd

New River Gorge--Land Acquisition

Question: Mr. Dickenson, Congress has appropriated for land acquisition, within the authorized boundary of the New River Gorge National River approximately $4 million. How much has been obligated for land acquisition at New River Gorge, and how many acres have been acquired?

Answer: As of April 30, 1983, $700,668 has been obligated and a total of 30 acres have been acquired by purchase and 511 acres have been acquired by donation.

Question: This Committee's report accompanying the fiscal year 1983 appropriation directed the Park Service to proceed with land acquisition at New River Gorge. What action has the Service taken to acquire land at New River in compliance with the Committee's directive?

Answer: The National Park Service is developing a new land protection plan for New River Gorge that will emphasize alternatives means of protection. Until this land protection plan is completed, land acquisition at New River is being limited to emergency, and hardship acquisitions, and acquisitions for administrative purposes. In addition to the land that has been purchased, appraisals have been received on 9 additional tracts, containing 1,338 acres, with an appraised value of $2.1 million. Negotiations have stopped on eight of these tracts because of price disagreement. An offer to sell has been obtained on one tract, however, acceptance is being deferred until completion of the land protection plan.

Question: Please describe the basic elements of a land protection plan.

Answer: Land protection plans include five basic elements:

1. An explanation of Departmental policy and why the plan is being prepared.

2. A description of park resources and plans for management and visitor use.

3. A description of non-Federal ownerships and uses, defining activities that are compatible or incompatible with unit purposes.

4. An analysis of alternative methods for protecting land to carry out park purposes as established by Congress.

5. Recommendations on priorities and methods of protection by tract or groups of tracts.

Question: Have you initiated appraisals on land tracts totalling the $4 million which is available? If not, why not, since the appraisals process generally takes eight to twelve months, doesn't it?

Answer: Appraisals totalling approximately $2.4 million have been initiated. Until the land protection plan is completed the land and interest in land to be acquired is not known. There is no basis on which to order appraisals until the land and interest to be acquired have been identified.

Land Protection Plan

Question: Is there any element of the land protection plan that you couldn't implement later on land that you acquired now?

Answer: The land protection plan will identify which areas need to be acquired and which tracts can be protected through other means. The plan also is needed to define priorities. The plan is being prepared to guide future acquisitions, not to implement management decisions on land that we have purchased.

Land Tracts with Willing Sellers

Question: Please provide for the record a listing of all land tracts within the boundary of the New River Gorge National River which have willing sellers. Please list these tracts in priority order and indicate the acreage and rough cost estimate for each.

Answer: There is only one known tract with a willing seller. This tract is owned by the The Nature Conservancy. An offer to sell has been obtained from them in the amount of $203,000 for 1,166.31 acres for fee interest. Acquisition of this tract is being deferred until the land protection plan is completed.

General Management Plan

Question: Why does the general management plan for the New River Gorge National River recommend only minimal land acquisition? How will you protect the remainder of the River from development which would be harmful to the operation of the park?

Answer: The general management plan recommends that the National Park Service acquire approximately 10,500 acres in fee and 2,500 acres in easement. Approximately 39,000 acres are expected to remain in private ownership. The legislation establishing the New River Gorge National River envisioned a cooperative effort with local and State agencies to protect these lands through zoning laws and ordinances. Consistent with this legislative direction, the National Park Service intends to encourage the preparation and adoption of land use regulations to protect the private lands from development which would have adverse impacts on operation of the area. Acquisition will still be used tc protect lands needed for development of visitor use and river access sites and land containing the most significant natural or cultural resources.

Questions Submitted by Senator J. Bennett Johnston

Land Acquisition and State Assistance

Question: Were land acquisition funds used for any kind of planning in fiscal 1981? fiscal year 1982? thus far in fiscal 1983?

Answer: No land acquisition funds were used for any kind of planning in fiscal 1981 or fiscal 1982. Funds were used for this purpose in fiscal 1983.

Question: Describe the planning involved and provide the amounts spent.

Answer: Land acquisition management funds were spent to provide assistance in developing land protection plans. The total time was equivalent to approximately 2 work years at a cost of an estimated $88,000.

Question: Were land acquisition funds used in any way in consideration of, or otherwise in furtherance of, a land acquisition moratorium in fiscal year 1981? fiscal 1982? thus far in fiscal 1983?

Answer: No land acquisition funds were used in consideration of, or otherwise in furtherance of, a land acquisition moratorium, in fiscal 1981, 1982 or 1983.

Question: Were any land acquisition funds used for travel related to planning, or travel in furtherance of a moratorium on land acquisition in fiscal 1981? fiscal 1982? thus far in fiscal 1983?

Answer: Land acquisition funds were not used for travel related to planning, or travel in furtherance of a moratorium in fiscal 1981, 1982 or 1983.

Question: Were unobligated balances of funds appropriated to the National Park Service for land acquisition greater (proportionate to the amounts appropriated) at the end of fiscal 1982 than at the end of fiscal 1981 and fiscal 1980? If the answer is yes, provide the amounts of the differences and the reasons for the differences. Include in your answer an explanation about whether the differences, in whole or in part, were due to the implementation of a land acquisition moratorium.

Answer: The unobligated balances, expressed in terms of percent of total funds available, for land acquisition at the end of fiscal 1980, 1981 and 1982 are as follows:

Fiscal 1980 6.7 percent unobligated
Fiscal 1981 19.1 percent unobligated
Fiscal 1982 49.0 percent unobligated

The moratorium was from February 17, 1981, through June 5, 1981. The 19.1 percent unobligated amount at the close of that fiscal year is comparable with past years.

There are several considerations for the unobligated balance at the end of fiscal year 1982: (1) Our highest priority is the payment of awards on tracts in condemnation. The obligation of funds is dependent, to some degree, on the timing of the awards by the courts; (2) We were not able to conclude the transaction on the Sweeney Ridge property at Golden Gate National Recreation Area, thus there was $9.6 million not obligated. There was also a commitment to negotiate at Channel Islands National Park but the $3.7 million available was not obligated; (3) The lateness of the 1982 supplemental appropriation, enacted on September 10, 1982, was also a factor.

Question: For fiscal 1981, 1982 and thus far in 1983 provide all Departmental memoranda pertaining to (a) the planning and implementation of a land acquisition moratorium and (b) the funding of such planning and implementation.

Answer: Secretary Watt's memorandum of February 17, 1981, requesting the suspension of all activities preceding, as well as the actual obligation of funds, and Under Secretary Hodel's memorandum of July 13, 1981, stating unequivocally that obligation of funds should begin immediately, follow:

COPY FEB 17 1981

Memorandum

To: Director, National Park Service
Acting Director, Heritage Conservation and Recreation Service
Acting Director, Fish and Wildlife Service
Acting Director, Bureau of Land Management
Chief, Forest Service

From: The Secretary

Subject: Land and Water Conservation Fund

In order to maintain maximum flexibility in implementing possible FY 1981 budget reductions in the Land and Water Conservation Fund, I ask that upon receipt of this memorandum you immediately direct that all activities preceeding, as well as the actual obligation of funds, be suspended until further notice for both grants to States and all Federal land purchases. By not later than 4:00 p.m. Eastern Standard Time on Friday, February 20, the information requested below must be prepared and be provided to the Chief, Division of Budget and Finance, Heritage Conservation and Recreation Service:

$ in thousands

a) Amounts obligated in FY 1981 through February 19, 1981, close of business for

- Salaries and Benefits
- Travel
- Federal land purchases
- State Grants
- Pinelands
- All other expenses funded under LWCF

b) Estimated minimum amounts which must be available for obligation from February 20 through September 30, 1981 for

- Salaries and Benefits
- Travel and other related employee expenses
- Deficiency awards for condemnation cases already filed for Federal land purchases
- Any other expenses (specify purpose and amount required)

c) Total amounts remaining unobligated at close of business on February 19, 1981 for

- Each Federal management unit or acquisition category (such as NPS inholdings)
- Grants to States (by State and the Contingency Reserve)
- Pinelands
- Salaries and Expenses for each Federal agency
- HCRS Administrative expenses

As required by law, the appropriate apportionment and impoundment control documents will be prepared to place unobligated balances into reserve pending Congressional action on the Administration's proposals.

COPY JUL 13 1981

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks
Director, National Park Service
Director, Fish and Wildlife Service
Director, Bureau of Land Management

From: Under Secretary

Subject: Land and Water Conservation Fund

On February 17, 1981, I circulated a memorandum suspending all Land and Water Conservation Fund acquisitions, including actual obligation of funds for both Federal- and State-related LWCF activities. This action was taken in order to maintain maximum flexibility in implementing budget reductions affecting the Fund for fiscal year 1981. There followed a proposed rescission of funds, which was submitted to Congress on March 17. Although the Congress failed to act on the rescission within the 45-day period prescribed in the Congressional Budget and Impoundment Control Act of 1974, it was apparent that Congress intended to initiate some action of its own, and so the suspension was kept in effect.

The Congress has now acted. P.L. 97-12, approved by President Reagan on June 5, 1981, rescinds specific amounts from both the State and Federal sides of the LWCF. As indicated in a memorandum circulated by the Director of Budget for the Department on June 10, 1981, P.L. 97-12 superseded previous decisions on the disposition of unobligated LWCF reserves. In the event that there are any questions concerning your authority to obligate available LWCF funds, this memorandum is to clarify and supplement the Budget Director's memorandum by unequivocally stating that you should begin immediately to obligate LWCF funds in accordance with P.L. 97-12. The Senate and House Conferees have indicated that "The amounts allocated to the various agencies are for priority land acquisitions". Those priorities were outlined on page H2637 of the Congressional Record on June 4, 1981, and they were also outlined in the Budget Director's memorandum previously referred to. Priority attention will be given to acquisition of land in emergency and hardship cases, as defined in the legislative history of P.L. 97-12, and to payment of court awards in pending condemnation cases. Any additional acquisitions must emphasize purchase of contiguous acreage.

Donald Paul Hodel
UNDER SECRETARY

Land Policy Group

Question: What appropriation or appropriations were used to fund the Land Policy Group in fiscal 1982, and, generally, on what activities were those funds spent?

Answer: No land acquisition funds were spent to support this group. Each member agency had people serve on an ad hoc basis. National Park Service representatives were funded from administrative accounts.

Question: If any appropriations to the National Park Service were used, including carryover funds, indicate the particular appropriation, and whether any of the funds were used to support planning or other activities in furtherance of a land acquisition moratorium, and if they were, describe the planning and activities and indicate how much was spent.

Answer: Approximately one man month each year is spent on work related to the land policy group. The estimated cost is $4,500 funded from administrative accounts.

Question: Provide the same information for fiscal 1981 and as much of fiscal 1983 as possible.

Answer: Approximately one man month each year is spent on work related to the land policy group. The estimated cost is $4,500.

Question: Provide all Departmental memoranda pertaining to use of National Park Service appropriations by the Land Policy Group for fiscal 1982 and thus far for fiscal 1983.

Answer: There are no such memoranda.

Question: Were any Land Policy Group staff assigned to, or did they do any work for, the National Park Service in fiscal 1982? thus far in fiscal 1983?

Answer: The Land Policy Group has no staff.

Question: Verify whether in fiscal 1982 the Land Policy Group used some $97,000 of funds appropriated for National Park Service land acquisition in fiscal 1981 and carried over to fiscal 1982. If such funds were so expended, provide the authority for the expenditure.

Answer: No, $97,000 was not expended by the Land Policy Group; however, $229,000 of land acquisition appropriated funds were expended in fiscal 1982 for Federal lands planning activities. Prior to and in fiscal 1981, the Heritage Conservation and Recreation Service budgeted and funds were appropriated to them to carry out Federal lands planning activities. Funds in the amount of $831,000 were requested in the Assistant Secretary for Fish and Wildlife and Parks fiscal 1982 budget to continue this work. The fiscal 1982 appropriation did not provide funds for this function; however, funds that were expended were authorized by Public Law 97-51, dated October 1, 1981, continuing appropriations for fiscal 1982. Following the fiscal 1982 appropriation, which did not provide funds for lands planning activities, action was taken to start moving out personnel on board. Because of the problems and delays associated with personnel transfers, some costs did occur.

Question: The following questions pertain to a memorandum of Febuary 5, 1982 from the Assistant Secretary of Fish, Wildlife and Parks to the Director of the National Park Service concerning the reassignment of six employees to the National Park Service.

Describe the National Park Service functions undertaken by the employees described in the Febuary memo and indicate whether they include planning, and/or activities in furtherance of a land acquisition moratorium or activities otherwise unrelated to land acquisition.

Answer: Employees have been placed in National Park Service positions none of which entail duties involving the land acquisition moratorium. One employee has resigned, the others are assigned to programs such as General Management Planning and the National Recreation and Preservation account.

Question: From what appropriation are the salaries and activities of the mentioned employees being funded?

Answer: The employees are being funded from the Operation of the National Park System appropriation.

Question: If any of these employees do perform planning, or other work in furtherance of a land acquisition moratorium or otherwise unrelated to land acquisition and are paid from National Park Service land acquisition funds, provide the authority for use of such funds.

Answer: As previously stated, the employees are paid from the Operation of the National Park System appropriation.

Delegation of Authority To Acquire Lands

Question: The following questions pertain to Departmental memoranda of July 16 and July 29, 1982, between the National Park Service Director and the Assistant Secretary for Fish, Wildlife and Parks pertaining to the Delegation of Authority to Acquire Lands.

Provide the total amount of money spent for land acquisition since the withdrawal of the delegation of the authority to the National Park Service Regional Directors to obligate land acquisition funds.

Answer: Since the withdrawal of that authority through March 31, 1983, the sum of $49,569,780.10 has been obligated by the National Park Service for land acquisition.

Question: Was the withdrawal in any way due to National Park Service Regional Directors spending more money on land acquisitions than the National Park Service Director thought warranted?

Answer: No. Budgetary constraints and anticipated limited appropriations of funds for land acquisition made it essential that available funds be utilized for the highest priority needs, i.e, payment of deficiencies in court awards and related costs on outstanding condemnation cases; for hardship and emergency cases; and for lands needed for administrative purposes.

Land Condemnation Court Awards

Question: Indicate how much money from fiscal 1982 National Park Service land acquisition funds was set aside at the beginning of fiscal 1982 to cover outstanding and anticipated land condemnation court awards.

Answer: At the beginning of fiscal 1982, $9,815,402 was identified and made available to cover outstanding and anticipated land condemnation court awards.

Question: Were additional funds set aside after the July 16, 1982 memo, and if so, in what amount?

Answer: Yes, $30,329,432 of which $30,000,000 was provided by the fiscal 1982 supplemental appropriation.

Question: How much money from the National Park Service Land Acquisition appropriation was spent on land condemnation awards in fiscal 1982? in fiscal 1981? thus far in fiscal 1983?

Answer: Expenditures for condemnation awards and related costs are as follows:

Fiscal 1981 $18.3 million
Fiscal 1982 $48.9 million
Fiscal 1983 $ 9.0 million (estimated as of April 30, 1983)

Redwood National Park

For 5 years, the Subcommittee has followed the progress of the resolution of claims arising from the expansion of Redwood National Park. To date, partial payments totaling $359 million have been provided to the landowners, with $34 million of the authorization remaining unappropriated. There is general agreement, as I understand it, that the ultimate cost will exceed the authorization and that one claimant, according to a January 4, 1983, Department of Justice Press Release, the Louisiana Pacific Corporation, will receive $44 million more than originally estimated, exclusive of interest. I further understand that the current schedule for moving these cases forward has again slipped and that one claimant, the Simpson Timber Company, has not been paid on a court-approved settlement of part of its claim made in October of last year.

Question: Is it true that your schedule has in fact been delayed from April to August with respect to the appraisal reports?

Answer: The appraisal reports for the Big 3 Timber Companies are now expected to be completed by August 1, 1983, which is approximately 90 days later than the contract originally called for.

The appraisal contractor, Hammon, Jensen, Wallen and Associates, advises that the delay was caused primarily because of time spent in negotiating with the Big 3 Timber Companies to try to resolve many subsidiary inventory issues that would otherwise consume an enormous trial time. This delay is more illusory than real because the Department of Justice is negotiating on many subsidiary appraisal issues. The procedure is similar to that now being undertaken to resolve many subsidiary inventory issues. If many of these valuation issues are settled by this procedure we will not only simplify and shorten valuation trials but will also shorten the time needed for pretrial discovery.

Question: Will you in fact have the appraisal reports complete on the 1st of August or will there be further delays?

Answer: The Department of Justice expects the appraisal reports for the Big 3 Timber Companies to be completed on August 1, 1983, and do not anticipate further delay, unless requested by the Big 3 to provide time for further negotiations on valuation issues.

Question: The Justice Department announced that a preliminary estimate for just one of the claimants, the Louisiana Pacific Corporation, was $250 million, exclusive of interest. This represents an underpayment for this one claimant alone to date of approximately $44 million. What is the status of the two other major claimants and how much will the preliminary estimates exceed their current partial payments received to date?

Answer: As previously stated, the Department of Justice expects the appraisals for the two other major claimants to be completed by August 1.

Arcata Corporation has received to date deposits totalling $96,865,675. The preliminary estimate of the value for Arcata, subject to substantial change, is $170,600,000. Thus the preliminary estimate exceeds the amount received to date by Arcata by $73,734,325.

Simpson Timber Company has received to date deposits totalling $15,080,265. The preliminary estimate of value for the land and timber taken from Simpson, not including the partial settlement of $4,386,250 for Simpson's hiatus areas and Simpson's severance damage claims, is $37 million. Thus, the preliminary estimate for the land and timber taken from Simpson exceeds the amount received to date by Simpson by $21,919,725. This preliminary estimate is subject to substantial change.

The partial settlement we have concluded with Simpson covers, as previously stated, all of its hiatus areas and its claims for severance damages. The settlement involves the payments to Simpson of $4,386,250 plus interest, plus the conveyance by Bureau of Land Management to Simpson of about 440.63 acres of hiatus lands outside the park, plus dismissal of the Government's counter claims for past cutting of trees by Simpson. In return, Simpson dropped all claims for severance damages and conceded that the Government has good title to approximately 77.35 acres of hiatus lands inside the park. The partial settlement also accomplishes the legislative intent of removing the main timber roads from the park. Simpson will surrender possession of its K & K and "B" line roads 5 years from October 15, 1982 (the date the final partial judgment was filed), if Simpson is paid its $4,386,250 within 3 years of October 15,1982. Otherwise, there will be a 2-year extension of time for Simpson to surrender possession of these roads after the $4,836,250 plus interest is paid. A partial payment of $2,011,959 has been made (this sum of $2,011,959 is in addition to the deposits of $15,090,265 received by Simpson), and the Park Service is in the process of applying to Congress for permission to reprogram funds from existing projects to the Redwood project in order to pay the balance.

Question: Costs for the park, not only in the form of higher estimates of principal amounts due, but primarily delay damages on upaid principal balance,are escalating rapidly. I understand that at the beginning of this year, for every $1 million principal unpaid annually, damages of $650,000 are accumulating. Soon

damages will be dollar for dollar. Shouldn't the landowner be paid additional partial payments in light of both the increasing principal estimates and accumulating damages? Why was there no budget request for partial payments?

Answer: Whether additional amounts for delay in payment will have to be paid depends on the difference, if any, between amounts already paid and the amounts of the ultimate awards (via settlements or trials). Until our appraisals are finally completed around August 1, 1983, we are in no position to state absolutely what the minimum difference may be.

Question: What is your current action plan and schedule for moving these claims rapidly to trial and settlement and will there be further delays?

Answer: The Department of Justice is already conducting extensive negotiations with the Big 3 Timber Companies in an effort to resolve many subsidiary inventory and valuation issues.

The Department of Justice expects to be able to commence trials on unresolved inventory issues around July 1, 1983, before a commission composed of 3 members and 2 alternates. Steps are being taken now to obtain names of potential candidates to serve on this commission.

The Department of Justice expects to commence trials on unresolved valuation issues by February 1984 before another commission also composed of 3 members and 2 alternates. Steps are also being taken now to obtain names of potential candidates to serve on this commission. We propose that this commission be composed of recently retired individuals who have a good understanding of business ventures and risks.

The Department of Justice is making every effort possible to expedite the settlement or trial of these cases. But some matters, such as the scope and extent of formal discovery for trial purposes are beyond our control. They will attempt to persuade the court that this phase of discovery should be kept to a minimum.

The expected trial dates set forth herein represent target dates we shall strive to achieve, but they cannot guarantee that trials will actually commence on these dates.

Question: Why hasn't the court approved settlement for Simpson Timber Company been paid, particularly since the delay has cost the Government additional penalty interest? Why was there no budget request for this in the FY 1984 budget request?

Answer: On December 20, 1982, a partial payment of $2,011,959 derived from funds available in the Redwood National Park account was deposited in the registry of the court on the settlement with the Simpson Timber Company. On March 7, 1983, a reprogramming proposal for the balance needed to pay off the award was submitted for approval to the Subcommittee on Interior and Related Agencies, Committee on Appropriations, House of Representatives, and the Committee on Appropriations, United States Senate. Source of funds for the reprogramming was the balance of funds after paying the costs of title evidence and appraisals from the appropriation in fiscal 1982 for the Sweeney Ridge tract at Golden Gate National Recreation Area.

By letters dated March 16, 1983, from the Senate Subcommittee on Interior and Related Agencies, and March 17,1983, from the House Subcommittee on Interior and Related Agencies, action was deferred on the reprogramming proposal pending negotiations with the West Aspen Company, owner of the Sweeney Ridge tract. These negotiations have reached an impasse. On April 6, 1983, a letter offer in the approved appraisal amount of $3,290,000 was transmitted to Mr. W. O. Stewart, President, The West Aspen Company for the Sweeney Ridge tract.

By letter of April 25, 1983 Mr. Stewart rejected our offer and made a counter-offer of $9,020,000. Reasons for rejecting our offer were: appraisal is not up to date; and highly visible developments since date of the the appraisal, which are:

Interest rates have fallen from a rate of 18 percent used in the appraisal to a current rate of about 10 percent;

Construction costs have remained flat while the general economy has strengthened; and

the Pacific Growth Control Ordinance has been amended to exempt single family detached houses on infill sites.

The West Aspen Company counteroffer is deemed unacceptable and we do not believe continued negotiations would be productive, based on the difference in value. Therefore, a revised reprogramming is being prepared for resubmission to the Subcommittees. The amount proposed for reprogramming is $2,478,072 which is the balance due on the settlement plus interest if paid by June 15, 1983.

Questions Submitted by Senator Thad Cochran

Gulf Islands National Seashore

Question: As of May 16, 1980, what was the total amount of appropriated funds designated for Gulf Islands National Seashore; what amount of the appropriated funds were not specifically obligated?

Answer: As of May 16, 1980, the total amount of appropriated funds designated for Gulf Islands was $17,986,220 and the amount unobligated is $1,973.25.

Question: On what date was the Park Service's request for appropriation in the 1983 budget submitted to Congress?

Answer: The Park Service's request for appropriations in the 1983 budget was submitted to Congress in January 1983, as part of the President's Budget Request.

Question: The Park Service request for appropriations of the 1983 budget was made at the time of or shortly after the trial of this case in August 1981. Accordingly, why did the Park Service only request $3.7 million for Gulf Islands National Seashore in view of the evidence presented at trial?

Answer: The budget request of $3.7 million was our best estimate of what the award might be. Although the Service was aware of the evidence presented by the landowner at the trial, until a judgment was rendered and all efforts to appeal had been exhausted, there was no basis for seeking the landowner's estimate of value.

Question: Page 296 of the Park Service Budget Justification-FY 84 indicates a request for Gulf Islands National Seashore of $4,300,000.00. The remarks section on the page indicates that the requested funds are needed to pay the expected deficiency on the award for the mineral interest on the declaration of taking on Petit Bois Island and for deficiency needs on other pending condemnation cases. What is the Park Service's estimate of the amount needed to pay for the minerals on Petit Bois? What other condemnation cases are pending within the Gulf Islands National Seashore?

Answer: The Park Service's estimated value for the mineral interest on Petit Bois is $358,710. The $4.3 million requested in fiscal 1983 was to pay the expected deficiency on both the mineral interest on Petit Bois condemnation and on 7 additional tracts that complaints in condemnation action had been received by the Department of Justice for filing.

Question: Page 296 of the budget justification also indicates a line item for deficiencies and relocation (general) in the amount of $1,500,000.00. Has all of this amount been earmarked for use in paying the surface judgment on Petit Bois as well as all of the 4.3 million indicated on Page 296.

Answer: It is anticipated that the balance due on the Petit Bois deficiency, including interest computed through October 1, 1983, is $5.1 million. A portion

of the $1.5 million would be made available to cover the shortage between the $4.3 million requested and the need of $5.1 million. However, by using a portion of the $1.5 million to pay the shortage on the Petit Bois condemnation, other deficiency shortages may occur in fiscal 1984, including any deficiency needs on the mineral interest on the Petit Bois tract.

Question: For fiscal year 1980 Congress appropriated $22,715,000.00 less than the amount requested by the National Park Service for the 1980 budget. In view of that cut the Park Service diverted $2,217,480.00 from Gulf Islands National Seashore. What was the basis of the Park Service's decision in diverting or reprogramming those funds from the Gulf Islands National Seashore? At the time this diversion was made, December 4, 1980, what was the total amount of appropriated funds designated for Gulf Islands National Seashore?

Answer: When the $2,217,480 was applied to the fiscal 1980 "slippage," it was estimated that the funds remaining at Gulf Islands National Seashore would be adequate to acquire the remaining private land as well as pay any deficiencies on the tracts in condemnation. On December 4, 1980, the total amount of funds designated for Gulf Islands was $16,502,700 before the $2,217,480 was diverted.

Question: In view of Judge Nixon's Order granting the Government's Motion to Quash Writ of Execution, does the National Park Service fully intend to pay the balance of the judgment by October 1983?

Answer: The National Park Service intends to pay the balance of the judgment on the Petit Bois condemnation as soon as funds are appropriated.

Question: What are the Park Service's plans for resolving the minerals on Petit Bois?

Answer: The National Park Service plans to proceed with the trial on the declaration of taking of the mineral interest on Petit Bois.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m. on Thursday, April 28, 1983, at which time we will review the 1984 budget request for the strategic petroleum reserve and the national petroleum reserves.

[Whereupon, at 4:10 p.m., Wednesday, April 27, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 28.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 28, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 1:15 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF ENERGY

STATEMENT OF WILLIAM A. VAUGHAN, ASSISTANT SECRETARY, ENVIRONMENTAL PROTECTION, SAFETY, AND EMERGENCY PREPAREDNESS

ACCOMPANIED BY:

RONALD L. WINKLER, DEPUTY ASSISTANT SECRETARY FOR ENERGY EMERGENCIES

RICHARD D. FURIGA, DEPUTY ASSISTANT SECRETARY FOR THE STRATEGIC PETROLEUM RESERVE

BUDGET REQUEST

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1984 budget request for the Department of Energy's strategic petroleum reserve and energy emergency preparedness program.

We will begin with the strategic petroleum reserve, whose total fiscal year 1984 request of $741,870,000 represents a 68-percent decrease from the fiscal year 1983 appropriated level of $2,316,178,000.

These figures include both the on-budget request of $158,770,000 for planning, storage facility development and operations, and program direction, as well as the off-budget request of $583,100,000 for petroleum acquisition and transportation.

Testifying on behalf of the Department this afternoon will be Mr. William A. Vaughan, Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness.

PREPARED STATEMENT

Mr. Vaughan, we welcome you again this afternoon. We invite you to introduce your associates following which your prepared statement will be made a part of the record. We will then proceed with questions.

Mr. VAUGHAN. On my left, Mr. Chairman, is Mr. Richard Furiga, the Deputy Assistant Secretary in charge of the strategic petroleum reserve; and on my right is Mr. Ronald Winkler, the Deputy Assistant Secretary for Energy Emergencies.

[The statement follows:]

STATEMENT OF WILLIAM A. VAUGHAN

INTRODUCTION

Mr. Chairman and members of the Subcommittee, it is my pleasure to appear before you today in support of the President's budget proposals for FY 1984 for the Office of Energy Emergencies, the Strategic Petroleum Reserve, and the Naval Petroleum and Oil Shale Reserves. The Department's energy emergency preparedness responsibilities are centered in these three program offices under my direction. I am accompanied this morning by Mr. Ronald L. Winkler, the Deputy Assistant Secretary for Energy Emergencies; Mr. Richard D. Furiga, the Deputy Assistant Secretary for the Strategic Petroleum Reserve; and Captain Gordon R. Gilmore, CEC, USN, Director of the Naval Petroleum and Oil Shale Reserves.

Before going into the specific budget requests for each of these offices, I would like to take a moment to discuss our approach to energy emergency preparedness.

The overriding goals of the Department's energy emergency preparedness program are to reduce the Nation's vulnerability to energy supply disruptions and to alleviate their impacts on the Nation. This Administration has abandoned previous policies of extensive Federal intervention such as oil allocation, price controls, and mandatory demand restraint measures, because we found they created adverse economic and social impacts. In plain English, they did not work and in fact were counterproductive. In the past, the Government attempted to allocate petroleum rather than rely on market forces during supply disruptions. We saw the adverse consequences--shortages and gasoline lines. We are confident that the best way of assuring that petroleum gets to where it is needed is to rely on the market place. In addition we are filling the Strategic Petroleum Reserve.

Our strategy to achieve these goals is to rely on the marketplace to respond to disruptions in energy supplies. Since the basic problem of a major energy supply disruption is the economy's difficulty in adjusting rapidly, one useful solution is to develop adequate crude oil stocks that can be drawn down in an emergency. Both private and Government-owned stocks are effective in dealing with oil supply disruptions, associated economic losses and national security threats. In addition to our commitment to the Strategic Petroleum Reserve, we are working to remove disincentives for private stockbuilding. The Naval Petroleum Reserves are also producing at the maximum efficient rate and will sell the Government's share of production to the Department of Defense to aid them in establishing secure sources of supply.

Stimulating public understanding of the need to prepare for energy emergencies and to facilitate effective communications during crises is another program priority. An important part of this effort is to encourage suppliers, consumers, and State and local governments to develop their own contingency approaches. We are working closely with the International Energy Agency (IEA) to develop coordinated responses among the members during a major supply disruption. Also, we are assessing the vulnerability of national energy systems to sabotage and accidents.

The balance of my testimony provides pertinent details of the Energy Emergencies Program, the Strategic Petroleum Reserve, and the Naval Petroleum and Oil Shale Reserves.

ENERGY EMERGENCIES PROGRAM

Highlights of FY 1983 Energy Emergencies activities and expected accomplishments are as follows:

During FY 1983, the Energy Emergency Preparedness Program continued a number of activities to complement the free-market approach to emergency preparedness. These activities were focused on international energy security programs, the Strategic Petroleum Reserve, the emergency executive manpower reserves, support for National defense preparedness, emergency public

information, State and local government coordination, analyses of economic response strategies, supply enhancement analyses, risk assessments and vulnerability analyses of the energy supply network.

With passage of the Energy Emergency Preparedness Act (EEPA) of 1982, the program prepared and submitted to Congress a number of reports including an amendment to the SPR Drawdown Plan, a SPR Drawdown and Distribution Report, a staff report on SPR use issues including analyses of various SPR drawdown approaches and their respective implications, a report on comprehensive energy emergency response procedures, a report on regional petroleum reserves and a report on strategic alcohol fuel reserves. The final EEPA mandated report, Economic Impact of Energy Supply Disruptions, will be completed in the third quarter of the Fiscal Year.

Our international activities included several cooperative efforts through Department's Office of International Affairs with the International Energy Agency (IEA) during FY 1983 to develop management plans for the U.S. Government's National Emergency Sharing Organization, to analyze options for mechanisms to backstop voluntary offers by U.S. oil companies if the IEA emergency sharing system is triggered, and to develop plans for U.S. participation in IEA's Allocation System Test-4 (AST-4).

FY 1984 EMERGENCY PREPAREDNESS BUDGET REQUEST

The FY 1984 budget request for the Office of Emergency Preparedness is $5.2 million, approximately equal to the FY 1983 appropriation. During FY 1984, the emphasis will be to enhance National security-related accomplishments achieved during FY 1983. Defense preparedness plans and procedures delayed by unanticipated EEPA requirements also will be a priority in FY 1984. In carrying out these objectives, the program will continue its emphasis on the maintenance of in-house expertise for planning and operations, thereby minimizing the need for outside contract support.

The FY 1984 budget request for Emergency Planning is $834,000, a decrease of $30,000 from the FY 1983 appropriation. The request will provide required resources for solving practical energy emergency problems, and for continuing the development of emergency response measures and the analysis of policy issues associated with energy emergencies.

Enhancing Supplies. We intend to continue planning and analysis for use of the SPR including the SPR Drawdown Plan rulemakings and updating of procedural materials and manuals.

We are also examining the feasibility and potential benefits of measures for enhancing overall energy supply and/or increasing oil substitution during emergencies, which will emphasize elimination of regulatory impediments on the supply or transportation of energy.

Supporting International Energy Security Activities. In order to ensure that the United States is capable of meeting its international energy obligations, we will continue to support various IEA, NATO and other international energy emergency preparedness programs. During FY 1984, support and analysis will include development of procedures to facilitate U.S. company participation in the Emergency Sharing System of the International Energy Program as well as involvement in a number of classified energy security activities as authorized by the Emergency Mobilization Preparedness Board and the National Security Council.

Mitigating Impacts. In addition to our support of U.S. involvement in the International Energy Agency, projects designed to evaluate potential market oriented mitigation responses to severe energy supply disruptions will be continued during FY 1984. These studies will continue ongoing assessments of economic impacts of energy supply disruptions and develop selected mitigating alternatives.

Our FY 1984 request for Emergency Operations is $830,000, a decrease of $105,000 from the FY 1983 appropriation. This request will provide for a range of defense energy emergency preparedness activities. Activities will

also focus on energy supply adequacy and risk assessments such as continuation of vulnerability assessments of the electric utility system network and pipeline systems to disruption. Additionally, energy emergency preparedness operations activities will emphasize public information and telecommunications linkages with State and local governments.

Developing Essential Information. The Department is continuing activities designed to develop a strong information capability. This includes the capability to: (1) Adequately inform the public, industry, and state and local governments concerning the nature and projected impacts of an energy shortage, (2) Publicize the Government's response strategy, (3) Build public support for this strategy, and (4) Establish a baseline for any debate on policy by widely disseminating basic energy information.

Supporting Defense Programs. In order to ensure that the critical energy needs of the Department of Defense and related defense and national security agencies are met, we will continue development of the procedures for responding to Defense Production Act requests. Work will proceed with an inter-agency task force to produce an integrated procedures manual. Detailed procedures also will be developed for responding to requests for waiver of the Jones Act. Plans similarly are being developed and refined in preparation for participation in National defense readiness exercises.

Assessing Energy Supply System Vulnerability. Since we recognize that domestic energy systems could experience unexpected disruptions, including those caused by sabotage, we currently are assessing the vulnerability of the electric utility network, natural gas and petroleum pipelines, and other parts of national energy systems to sabotage and accident. The first case study under this project will be conducted in FY 1984. We will, of course, continue periodic assessments relating to potential emergency incidents which may occur during FY 1984.

The balance of the request includes $3,566,000 for program direction costs, representing salaries and other expenses for 72 FTE's, an increase of $175,000 and 1 FTE over the FY 1983 appropriation.

STRATEGIC PETROLEUM RESERVE

Some of the highlights of SPR activities and accomplishments are as follows:

SPR Inventory. In CY 1982, we increased the SPR inventory by 63.5 million barrels to a cumulative total of 293.8 million barrels in CY 1982. As of April 5, 1983, the SPR inventory stood at 313.3 million barrels. Our primary methods of acquiring oil at this time are the continuous open solicitation and the contracts with Mexico's state-owned oil company, Petroleos Mexicanos (PEMEX). The SPR entered into the second commercial contract with PEMEX in August 1982. For the remainder of FY 1983, we have 31.2 million barrels under contract and scheduled for delivery, and we plan to acquire additional quantities of sweet crude under the open continuous solicitation.

When the President's FY 1983 budget was transmitted to the Congress in January 1982, it was expected that the Reserve would be filled at 209,000 barrels per day in FY 1983 to achieve an end-of-year inventory of 343 million barrels. Our present plans call for an average daily fill rate of 220,000 barrels per day in FY 1983 to achieve an end-of-year inventory of approximately 358 million barrels in permanent facilities. Both our average daily fill rate during FY 1983 and the cumulative inventory level have been increased over prior projections.

SPR Facilities Development and Operation. With the Phase I facilities development complete, we are continuing development of storage capacity through solution mining of the Phase II caverns. An average leaching rate of approximately 900 thousand barrels per day was achieved at the Bryan Mound site and approximately 700 thousand barrels per day at West Hackberry during CY 1982. The cumulative gross Phase II cavern volume at these two storage sites was 121 million barrels at the end of CY 1982 of which 74 million barrels were created during 1982. Phase III detail design for Bryan Mound was

completed and construction initiated. Phase III West Hackberry detail design and land acquisition commenced. An additional site has been acquired at Big Hill, Texas, and environmental impact work and site design have been completed.

FY 1984 SPR BUDGET REQUEST

The President's FY 1984 budget proposes a total of $741,870,000 in appropriations for the Strategic Petroleum Reserve. Of this total, $158,770,000 is for the on-budget Strategic Petroleum Reserve account to be used for storage facilities development and operations, planning and program direction, and $583,100,000 is for the off-budget SPR Petroleum Account.

The SPR program was created over seven years ago, but over one-half of the funding available for the Reserve since its creation was proposed by President Reagan over the last two years. We believe that both our progress to date and the significant commitments this Administration has already made in investing in this program are important elements of the context for the FY 1984 budget request.

During FY 1984 we will continue to fill the Strategic Petroleum Reserve. Under the President's budget submission, we expect to fill the SPR at an average daily fill rate of about 145 thousand barrels per day which would increase the cumulative fill level to approximately 411 million barrels by the end of FY 1984, less than a 1.5 percent reduction from our FY 1983 budget projections to achieve 417 million barrels in storage by then.

This reduction in the FY 1984 rate of growth of the SPR oil inventory reflects a sober and realistic recognition of the absolute necessity of restraining Federal spending to the maximum extent possible. In our judgement, reducing the rate of growth of the SPR in light of the critical financial imperative to slash Federal deficits is prudent from the standpoint of the Nation's energy security in light of the following facts:

- There presently are over 313 million barrels of oil in the SPR. That is almost three times as much as was in inventory when President Reagan began his administration two years ago.

- U.S. and free world oil demand is down significantly. While energy demand will increase as national and free world economies recover, growth in oil consumption is projected to be more gradual because of significant and continuing gains in conservation.

- World oil markets are extremely soft, with OPEC unable to enforce its cartel pricing and quotas. Prices have been falling, and there is at least 10 million barrels per day of excess production capacity in the free world.

- The U.S. is altering its sources of imports. This Nation no longer is dependent on Arab-OPEC suppliers. In fact, Mexico is now our major foreign supplier and our reliance upon other non-OPEC sources, such as the North Sea, is growing steadily.

- Oil inventories worldwide are over 4 billion barrels. Of this amount, our allies currently have over 1.5 billion barrels, including 120 million barrels of government-owned stocks. The 1.5 billion barrels held by our allies are equivalent to about 100 days of their net oil imports.

- The current SPR inventory represents the equivalent of almost 80 days of 1982 U.S. net oil imports, about 5 months worth of protection should half of U.S. imports be interrupted, and the equivalent of a year of U.S. oil imports from Arab OPEC sources. The private sector may also have safety stocks which may be used in an emergency situation.

- The additional increment of protection which would be provided by a fill rate of 220,000 barrels per day in FY 1984 versus the 145,000 barrels per day planned rate would be relatively small. The difference in cumulative fill by the end of FY 1984 would be 27 million barrels or only 7 percent.

Although this proposed budgetary restraint upon the SPR program is prompted in the first instance by the need to bring the Federal budget under control, I believe the FY 1984 budget request for the SPR provides a reasonable fill rate which is designed properly to expand the growing capability of the SPR to provide economic and strategic security to the Nation.

The Administration remains committed to an eventual SPR of 750 million barrels. It is important to note that when this Administration took office, less than 15 percent of this long term goal had been reached, and that by the end of FY 1984, current fill projections and present plans will bring us over halfway toward this goal. We believe that both our progress to date and the significant commitments this Administration has made already in investing in this program are important elements of the context for the FY 1984 SPR budget request.

Off-Budget Appropriation For Petroleum Acquisition and Transportation. The President's FY 1984 budget proposes an appropriation of $583,100,000 to the off-budget "SPR Petroleum Account" established pursuant to the Omnibus Budget Reconciliation Act of 1981. These funds will be used to acquire approximately 16 million barrels of crude oil for delivery to the Reserve in FY 1985. Appropriations for FY 1983 and prior years will be used to fill the Reserve by 80.3 million barrels or 220 thousand barrels per day in FY 1983 and by 52.9 million barrels or 145 thousand barrels per day in FY 1984.

Facilities Development. The FY 1984 budget request for Facilities Development and Operations is $142,357,000. These funds will be utilized for Phase II ($61,993,000) and Non-Phase Specific ($80,364,000) activities.

The budget proposes $61,993,000 for Phase II in FY 1984. These funds will be used primarily for electric power, operations and maintenance costs associated with a continuation of solution mining (leaching) activities at the Bryan Mound and West Hackberry sites. During FY 1984, an estimated 70 million barrels in additional storage capacity will be created at these sites.

Non-Phase Specific. This funding category was established several years ago to finance SPR facilities requirements not directly associated with specific phases of SPR development. For FY 1984, we propose a total of $80,364,000 for Non-Phase Specific activities, including Continuing Engineering ($7,988,000), Operations and Maintenance ($43,306,000), and Safety, Reliability, and Security Upgrades ($29,070,000). Overall, this represents a decrease of $6,364,000 from the FY 1983 level.

Continuing Engineering activities in FY 1984 are slightly below the FY 1983 level and are required to identify and resolve technical problems, to maintain an accurate definition of the SPR system and to promote an integrated systems approach to SPR development activities.

Operations and Maintenance activities will be required for the duration of the SPR program but are particularly intensive during the period of facilities development and fill. Some operations and maintenance activities are funded within specific phases, particularly those directly associated with storage cavern development. Others are funded through this Non-Phase Specific activity. The increase in budget authority proposed for FY 1984 reflects several items including a continued shift in cost attribution for on-going O&M functions after completion of Phase I fill, and transition funds for a potential new O&M contractor.

The Safety, Reliability and Security Upgrades program is an ongoing effort to modify existing SPR facilities from the original design criteria to new and more stringent criteria which emphasize safety, reliability and security, and provide more assurance of readiness of the SPR system for drawdown. The

funding level for FY 1984 has been reduced by $10,665,000 from last year's requirement due to reductions in the backlog of projects.

Planning. The Planning activity includes such items as environmental monitoring, control systems development, crude oil quality analysis, EIA computer use and information support, operational readiness and logistics information for drawdown support. The FY 1984 request for planning funds is $6,250,000, a $1,750,000 decrease from that which was appropriated in FY 1983. This reduction reflects increased reliance on in-house planning and analytic support.

Program Direction. The FY 1984 request for Program Direction is $10,163,000. This is a decrease of $1,427,000 from last year's appropriation. Program Direction funds provide for the salaries and expenses necessary to plan and manage the Reserve.

NAVAL PETROLEUM AND OIL SHALE RESERVES

The Naval Petroleum and Oil Shale Reserves (NPOSR) consist of three petroleum reserves and three oil shale reserves established by a series of Executive Orders between 1912 and 1924 to provide a source of emergency petroleum supplies for the military.

Naval Petroleum Reserve No. 1 (NPR-1), Elk Hills, consists of 47,985 acres located 35 miles west of Bakersfield, California. NPR-1 is jointly owned and operated by the Government and Chevron U.S.A. Inc., under a Unit Plan Contract. Naval Petroleum Reserve No. 2 (NPR-2), Buena Vista Hills, consists of 30,181 acres adjacent to and south of NPR-1. All of its productive acreage is owned by or leased to private industry. Naval Petroleum Reserve No. 3 (NPR-3), Teapot Dome, consists of 9,481 acres located 35 miles north of Casper, Wyoming, and is wholly owned and operated by the Government. Naval Oil Shale Reserve No. 1 (NOSR-1) and Naval Oil Shale Reserve No. 3 (NOSR-3) are adjacent tracts of land in western Colorado. Naval Oil Shale Reserve No. 2 (NOSR-2) is located in northeastern Utah.

Following the 1973-74 Arab Oil Embargo, which demonstrated the Nation's vulnerability to oil supply interruptions, the Congress in 1974 authorized and directed that the Reserves be explored and developed to their full economic and productive potential. In 1976, Congress passed the Naval Petroleum Reserves Production Act, which required that the Petroleum Reserves be produced at their maximum efficient rates for six years. The law also provides that the President may extend production subsequently, in three year increments, if it is found to be in the national interest. In October 1981, the President notified Congress of his decision to extend production of the Naval Petroleum Reserves to April 6, 1985. That decision became final when Congress did not exercise its authority to disapprove the action.

The Naval Oil Shale Reserves (NOSRs) originally were set-aside as a further guarantee of oil for the Navy in emergency situations. Until 1977, the only activity at the NOSRs had been research conducted at a facility on NOSR-3. In 1977, a Five-Year Pre-Development Program was initiated to analyze the resource, technical, environmental and socioeconomic factors related to future development of the Oil Shale Reserves. This program was completed in 1982.

FY 1982 AND FY 1983 PROGRAM HIGHLIGHTS AND ACCOMPLISHMENTS

The NPOSRs continued in 1982 to demonstrate their flexibility as vital national defense resources by providing petroleum to both the Department of Defense (DOD) and to the Strategic Petroleum Reserve (SPR). Crude oil, natural gas and natural gas liquids were also sold competitively on the open market during the year. Sale of the Government's share of petroleum produced at the Reserves generated revenues of over $1.6 billion, with program expenditures of approximately $230 million.

Beginning in July 1981, pursuant to an agreement between the Secretary of Defense and the Secretary of Energy, the Naval Petroleum Reserves initiated a program of selling crude oil to DOD from NPR-3 and condensate from NPR-1 which

were exchanged for mobility fuels. In FY 1982, all of the crude oil produced at NPR-3 was sold to DOD, and since May 1, 1982 all of the Government's share of crude oil produced at NPR-1 also has been sold to DOD.

Oil produced at NPR-1 also has been used to help fill the SPR. In addition to the exchange program which provided 103,472 barrels of oil per day (BOPD) for the SPR for one year ending November 1, 1981, an average of 8,905 BOPD were sold directly to the SPR between February and April 1982. That oil was transported to the West Hackberry, Louisiana, site via the Four Corners pipeline system.

Crude oil production at NPR-1 has continued a normal decline following the production peak of 181,000 BOPD in July 1981. Daily production in FY 1982 averaged 166,297 barrels. NPR-3 oil production remained relatively stable during 1982, averaging 3,145 BOPD.

The series of major construction activities at NPR-1, collectively known as the California Development Project, was completed in FY 1982 with the exception of two items, modifications to 61 Shallow Oil Zone tank settings and installation of three liquid products tanks, which will be completed in 1983. The California Development Project is being completed significantly below budget.

A study of natural gas production on lands adjacent to NOSR-3 has led to the conclusion that commercial quantities of natural gas may exist within the boundaries of NOSR-3, part of which may be lost to the neighboring producing field unless protective action is taken. Plans to protect the potential natural gas resources at NOSR-3 are now being studied prior to recommending a course of action to the Congress.

FY 1984 NPOSR BUDGET REQUEST

The FY 1984 Budget Request of $266,100,000 provides for continued production of the Naval Petroleum Reserves at their maximum efficient rates. No funds are being requested for the NOSRs except those needed to maintain the Reserves and to perform limited environmental monitoring activities.

NPR 1 and 2. The budget request for NPR 1 and 2 is $214,946,000. Funding is requested in four categories: (1) Operations and Maintenance ($113,678,000); (2) Development Drilling ($80,306,000); (3) Development Facilities ($8,458,000); and (4) Exploratory Drilling ($12,504,000).

Funding for Operations and Maintenance will be used to support the normal, day-to-day activities necessary to continue the maximum efficient rate of production at the Reserves. Major activities funded in this category include Production Operations ($43,777,000); Remedials ($19,562,000); and Gas Operations ($23,031,000). Production Operations provides for maintenance and repair of pipelines, tank settings, pumps, etc., used to collect, store and distribute oil and gas; road maintenance, maintenance of water injection systems; maintenance and repair of the electrical distribution system; and other related activities.

Remedials provide for the major well work required to maintain existing wells in optimum producing condition. The types of remedial actions to be performed include recompletions, gas/oil ratio control, well stimulation measures, artificial lift installations, and casing failures. The FY 1984 request provides for major well work to be done on 180 wells, an increase of 13 over FY 1983.

Gas Operations provides for operation and maintenance of all gas plants, gas injection wells, field compressor units, dry gas production, and the liquid products loading rack. It is estimated that these facilities will process daily approximately 353 million cubic feet of natural gas and 635 thousand gallons of liquid products. The request for Operations and Maintenance also includes funding for drilling supervision, technical services, administrative support and the operator fee.

Development Drilling provides for the drilling of all development wells at NPR-1. This includes water and gas injection wells in addition to producing wells. Along with additional production, this program is designed to maintain reservoir and pool performance through pressure maintenance, and to further define reservoir limits. It is estimated that an annual drilling program of approximately 90-100 wells will be required during the near term to maintain maximum efficient production rates. The FY 1984 budget request provides for the drilling of 98 wells, an increase of 13 over FY 1983. In making this request at approximately the same level of funding as the FY 1983 appropriation, we have fully taken into consideration recent moderations in drilling costs.

The budget request for Development Facilities is $8,458,000. This category provides funding for the construction of minor facilities in response to changing field conditions and requirements. This includes such items as conversion of flowing wells to artificial lift, conversion of collection facilities from high to low pressure systems, and steam generation and injection facilities for enhanced oil recovery. This maintains the same level of effort as in FY 1983 in which budget authority of $3,837,000 is currently being supplemented by $5,000,000 of carryover funding.

Funding for Exploration Drilling is requested at $12,504,000. This provides for the drilling of five exploration wells and continues our efforts to increase the proven recoverable reserves of the field.

NPR-3. The FY 1984 budget request for NPR-3 is $45,633,000, and provides funding for Operations and Maintenance ($18,215,000), the Development Program ($9,818,000),and Enhanced Oil Recovery (EOR) ($17,600,000). This represents a substantial increase over the FY 1983 budget due principally to implementation of the EOR development in the Shannon Zone. This includes the drilling of injection and production wells, surface facilities, operations and maintenance activities, and technical analyses required for EOR expansion, which is intended to substantially increase recoverable reserves at NPR-3.

NOSR's. The budget request for the NOSRs is $100,000. This continues the same program as in FY 1983 and provides for land management and limited environmental monitoring activities.

Program Direction. Funding is also requested for Program Direction for salaries, benefits, travel and other related costs to support the equivalent of 120 full-time employees who manage the program. The FY 1984 budget request for this is $5,421,000. Five additional military positions have been allocated to NPOSR by DOD to help alleviate the critical manpower shortage in petroleum engineering.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions.

SPR FILL RATE

Mr. VAUGHAN. My understanding is that you wanted us to not have any summary statement. We do not, and we are prepared to answer your questions.

Senator MCCLURE. Thank you very much. Your entire statement will be included in the record at this point.

The implications concerning SPR oil acquisition and delivery associated with the 1984 budget request have of course been of tremendous concern to a great many of us here in the Congress for the past few months. This concern, I believe, was in large part responsible for the action taken in the House of Representatives this past March 10 disapproving your proposed SPR deferral of $57,400,000, as well as for the more recent action of the House of including $1.9 billion for SPR oil acquisition in their first concurrent budget resolution for fiscal year 1984. Despite these and other congressional actions which indicate a strong bipartisan support for the strategic petroleum reserve, there nevertheless still remains a definite feeling of uneasiness relative to what the administration's plans for the SPR may be.

In this regard, Mr. Vaughan, you indicated on page 4 of your written statement that:

> Our present plans call for an average daily fill rate of 220,000 barrels per day in fiscal year 1983 to achieve an end-of-year inventory of approximately 358 million barrels in permanent facilities.

The General Accounting Office in a report published April 15, 1983, reported that as of March 31 oil deliveries had averaged only 186,000 barrels per day, and that DOE would need to fill at an average rate of about 254,000 barrels per day from April 1 through September 30 to meet the requirement of 220,000 barrels per day. Will you in fact fill at this rate of at least 254,000 barrels per day during the 6-month period?

Mr. VAUGHAN. Mr. Chairman, I have every expectation of filling at an average rate of 220,000 barrels a day for this fiscal year. Those figures you just used were our planned figures. Some months ago I gave the Secretary a written memorandum in which I indicated, in our best estimate, we would in fact be able to fill on an average of 220,000 for the year.

Senator MCCLURE. Thank you very much. I hope that will set at least that part of the question at rest.

A month has gone by since the 254,000 barrel-per-day calculation was made. What has been your actual fill rate through the month of April?

Mr. FURIGA. Mr. Chairman, through April it has averaged approximately 210,000 barrels a day. I should point out that that low fill rate in the first half of the fiscal year was planned. Historically the first quarter, first quarter and half of a fiscal year are bad weather months for shipping, and that is why we keep our rates down during those months.

As you may know, the PEMEX 2 contract now starts to ramp up as far as fill rates. Last quarter it was 120,000 barrels a day from PEMEX 2. This quarter it is going to be 140,000 barrels a day. You add the 50,000 barrels a day from PEMEX 1 on top of that and you see that

planned increase in fill rate. That is a planned event. The last two quarters of the fiscal year are historically high fill rate months. I have no doubt in my mind that we will be able to average 220,000 barrels a day for fiscal year 1983.

Senator McCLURE. Your testimony that you do expect to fill at the minimum average daily level of 220,000 barrels for 1983 indicates that the Department acknowledges the requirement of the Energy Emergency Preparedness Act of 1982 that the SPR fill must average no less than 220,000 barrels per day. The DOE General Counsel issued an opinion on March 8 of this year which in fact indicated that 220,000 barrels per day is the very least SPR fill which must be achieved. Moreover, under the law, and I quote from that opinion, "The minimum required fill rate for the SPR in fiscal year 1983 is the highest practicable rate which can be achieved utilizing all available appropriations," and a little further, "even if the resulting fiscal year rate exceeds 220,000 barrels per day."

In this regard, Secretary Hodel has stated that at the oil price estimates contained in the administration's budget, and after taking into account advance purchases for fiscal year 1984 and the cost of interim storage, available funding would permit a fill rate of 255,000 barrels per day in fiscal year 1983. Based on the price paid by DFSC in its last spot market purchase, GAO reports that available funds could allow for a fill rate of about 283,000 barrels per day.

Mr. Vaughan, do you intend to act on the opinion of your General Counsel and fill SPR at this higher rate?

INTERIM STORAGE

Mr. VAUGHAN. Mr. Chairman, we have been instructed by the Secretary to be prepared to implement that opinion, and we are completing the preparations.

As you know, the Secretary, when he testified before the Senate Energy Committee, indicated he wished to come back and appear on the Hill and discuss our concern about the additional cost of interim storage. I think it is fairly obvious what he hoped to do is to convince you and your colleagues on the other side of the Hill that we should fill at a lesser rate than this opinion indicates.

He also discussed with you at the time that there is a difference of opinion in the administration, which at this point he has not been able to resolve. But in the meantime this program has been instructed to be prepared to comply with the law to its fullest extent, and we are so prepared, sir.

Senator McCLURE. It would require a deferral if you do not, is that not correct?

Mr. VAUGHAN. It would.

Senator McCLURE. Are you preparing to submit such a deferral, or does that depend upon the outcome of the Secretary's discussions?

Mr. VAUGHAN. It certainly will depend upon his judgment following those discussions and his directions to me.

Senator McCLURE. Do you have any idea of the timetable for that discussion or decision?

Mr. VAUGHAN. I think it is in the next couple weeks or several days. He, I understand, will be absent much of the time. But I am aware that he has several people instructed to open those discussions.

Senator McCLURE. I don't mean to prejudice the Secretary's ability to make whatever decisions he wishes to and urge it upon the Congress. That is his prerogative. My understanding is that the Secretary does believe that counsel's opinion is what he is bound by at the present time until such time as a change is made.

Mr. VAUGHAN. I think that is a fair statement, sir.

Senator McCLURE. Thank you.

DAYS OF INVENTORY

Has the Department conducted a study to determine what the minimum number of days of inventory should be, based on the whole range of possible emergency scenarios?

Mr. VAUGHAN. I believe the specific answer to your question is in the negative. However, I can inform you that the National Security Council does have some classified studies that are very identical to the thrust of your question, very close to exactly what your question is.

Senator McCLURE. The last discussions I had with Dr. Nau had indicated that they really haven't run those calculations yet but they planned to do so.

Mr. VAUGHAN. I believe that document is now out.

Senator McCLURE. So they are getting ready to run those calculations?

Mr. VAUGHAN. That's correct, sir.

SPR SIZE

Senator McCLURE. If we haven't run the calculations and don't really know what the requirements might be, and if we haven't completed the study aren't we in effect gambling that what we have on hand, whether it's 410 million or 750 million barrels, will be enough to sustain us through an emergency?

Mr. VAUGHAN. No, Senator, I don't think so. If you recall last summer the strategic petroleum reserve in a response to a request of the Congress had completed a size study. That study was completed. We have run a number of studies in the program in the Office of Energy Emergencies in particular and in conjunction with the SPR as to the relationship of stockage and demand, and we have reported a number of those results to the Congress. In fact, virtually all.

Senator McCLURE. Wouldn't we be a great deal better off in terms of national security knowing that we have relatively higher stocks on hand rather than lower levels? Let me ask, as a background to that question before you answer, other than the United Kingdom is there any major supplier of SPR oil that our State Department considers having a totally stable government?

Mr. VAUGHAN. I will not try to answer, Senator, what is the stability of a neighboring government or other governments. I would point out to you that Mexico, for example, who is our prime supplier at the moment, has been very reliable. Its track record of doing business with this program is excellent to outstanding. I see very little reason to be concerned and certainly no reason to be alarmed.

I think, for example, we are obviously better off being supplied by Mexico than we are, let's say, from the Arab OPEC area. I think that part of the world, which has longer lines of communication, is an area where I think everyone in today's world predicts is a possible tinderbox.

SPR SOURCES OF OIL

Senator MCCLURE. I just noticed from your report on the sources of oil that went into SPR. The United Kingdom provided 22 percent; Mexico a little over 28½ percent. I guess we would consider Alaska as friendly territory. It is most of the time. They provided 10.7 percent. And even Texas would be included in friendly territories, and theirs was less than 1 percent. Which is a way of saying that almost 40 percent of the oil that went into SPR came from the rest of the countries listed.

It is interesting to run down that list: Libya, Iran, Saudia Arabia, Nigeria, Dubai, Ecuador, Egypt, Algeria, Gabon, and then we get down to supplies of less than 1 percent for each of the balance of the countries. That list is kind of a litany of the unstable areas of the world.

Mr. VAUGHAN. I think, Senator, that that list that you are looking at, those figures are history, and I think you will find the major shift made by this administration is toward those more secure areas, and you will find the British percentage and the Mexican percentage have significantly increased. I think you were reading the historical cumulative percentages.

Senator MCCLURE. What is the percentage coming from Mexico today?

Mr. FURIGA. Right now, Senator, we have the PEMEX 1, which is 50,000 barrels a day; we have PEMEX 2, which averages 110,000 barrels a day for the whole fiscal year. That's 160,000 barrels per day. So 160,000 of the 220,000 barrels a day for fiscal year 1983 will be of Mexican origin.

Senator MCCLURE. That's not quite fair, not quite accurate, because you will not be filling at 220,000; you will be filling at 280,000 the balance of the year, right?

Mr. FURIGA. I was spreading that over the whole fiscal year.

Senator MCCLURE. Yes, but you can't spread it back if you are going to ignore the history.

Mr. FURIGA. I thought the question was what we are bringing in from Mexico.

Senator MCCLURE. I know. That was the history. Secretary Vaughan told me the recitation I gave was historical. That's looking back, and we should ignore that and look at the future. If we're looking at the future, we're not looking at 220,000 barrels a day; we're looking at 280,000.

Mr. VAUGHAN. What we are looking at the last half of the year would increase, because PEMEX 2, the recent contract, is stepped up, as Mr. Furiga indicated earlier.

Senator MCCLURE. That would double their percentage. It would be about 57 percent of the current fill rate or the predicted fill rate. Is that correct?

Mr. FURIGA. For example, this quarter PEMEX Mexico will be 190,000 barrels a day; the last quarter of the fiscal year it will be about 170,000 barrels a day from Mexico.

Senator MCCLURE. The President addressed last night in a very forceful message to the country as well as the joint session of the Congress some of the instabilities and the reasons for our concerns about Central America. He could have expanded upon that statement but did not.

There are refugee camps in southern Mexico with refugees coming from the countries south of Mexico across the border into Mexico.

I don't mean to overstate it and I don't mean to be onerous. But I think this country is really being a little bit foolish if we assume that the stability in Mexico that has been there over the last 10 years is necessarily going to be there over the next several. I'm not predicting a revolution in Mexico tomorrow, and I would not want the headlines to reflect any such statement on my part, because it would not be my prediction.

But IMF is reordering priorities from Mexico because of their current monetary problems. We are all aware of that. IMF is going to require as a condition to the reordering of their financial institutions social, political and economic decisions that will be very markedly different than their past practices. We don't know yet what the internal political consequences of such IMF actions will be. But there are a number of scholars who have indicated you may very well create a political instability in that country because of their financial problems that does not now exist.

Mr. VAUGHAN. Senator, if I may respond to that. I certainly do not mean to imply that the U.S. Government is unconcerned with problems in that part of the world. Relative to the Middle East, I think it is a fair thing to say that the stability is better, and certainly the lines of communication are much shorter.

I would also point out that in the case of Mexico this country has indeed been a good neighbor, and I am pleased to note the Mexican Government seems to be well aware that what we have done is beneficial to them and it's also beneficial to this country. It is in that sense that I made those statements and judgments. I think that is valid.

On the other hand, certainly we are concerned in watching that part of the world. But I do think on balance we are safer in getting supplies from Mexico than those long hauls from the Middle East.

Frankly, I think our major security in energy emergencies, something we have discussed in this administration, is the entire sourcing of oil imports to this country. Two things have happened to it. One, it has declined quite significantly, and second, it has been diversified and

spread very significantly, not just for the SPR, but for our entire system.

I think it would not be fair to conclude that we have no vulnerability, no problems. That's going too far. I think we are much more secure. And we have worked very hard to encourage those kinds of developments.

Senator McCLURE. Mr. Secretary, I would have to agree with that last statement. We are less vulnerable today than we were, and I commend the administration on the efforts that they have taken and the success they have had in that direction.

The question, I guess, that we have to resolve between the administration and the Congress is how much security is enough security. That's a judgmental matter upon which honest people may differ, and that dialog will continue.

I am very much aware of the very constructive actions taken by the administration in dealing with the financial difficulties of our good neighbors to the south of us in Mexico. I believe that the Mexican Government is aware of the actions that we are taking. They could hardly be unaware of the actions that we have taken. I hope indeed that they do reflect that was a good neighborly action on our part and that it will be reflected in better relations in the future.

You have reported that with present storage capacity you can meet a fill level of approximately 190,000 barrels per day during 1984. The GAO has reported that as much as 14 million barrels of additional cavern interim storage can be developed during 1984, which if true would bring the total storage capacity during 1984 to an average of 228,000 barrels per day. Do you agree with GAO that this additional 14 million barrels of short-term cavern storage is possible?

Mr. VAUGHAN. Yes; it is possible, Senator.

INTERIM STORAGE AT BAYOU CHOCTAW

Senator McCLURE. In this regard, DOE decided in March to look closely at a 10-million barrel cavern at Bayou Choctaw to determine if it is acceptable for interim storage. What is the status of that study?

Mr. VAUGHAN. We have not completed the investigation of that cavern at this moment.

Senator McCLURE. When will that be complete?

Mr. FURIGA. Mr. Chairman, we expect that part of the work to be completed in early fiscal year 1984.

Senator McCLURE. Just the study?

Mr. FURIGA. Just the investigation, the physical investigation. If everything checks out, that cavern will be available for interim type storage in the second half of fiscal year 1984.

Senator McCLURE. How much would that work cost?

Mr. FURIGA. Approximately $7.5 million, Mr. Chairman, for 10 million barrels.

Senator McCLURE. That is the initial cost. What would be the operating cost of that facility? Any idea?

Mr. FURIGA. That particular cavern is part of a larger facility. We have estimated our operations costs for a facility in the neighborhood of 10 to 15 cents a barrel per year.

Senator MCCLURE. For the neighboring facility?

Mr. FURIGA. For the total facility. That one cavern is just one piece of that.

Senator MCCLURE. There would be no increase in operational costs or just a minimal increase in operational costs?

Mr. FURIGA. Minimal.

CRUDE OIL CONTRACT AWARD

Senator MCCLURE. On March 22, 1983, DFSC awarded a contract for 2 million barrels to be delivered next quarter. This was the first award made by DFSC under the open, continuous solicitation since August of 1982. Why have no other such awards been made during this 7-month period?

Mr. FURIGA. Mr. Chairman, the reason we didn't award under the continuous solicitation was because last fall Defense Fuel Supply Center awarded some term sweet contracts which were delivered during the first two quarters of the fiscal year. We have not had the requirement for that particular sweet crude in that time period. As I said, our first two quarters are historically low. Just last week we awarded another 2 million barrels of sweet. So the DFSC continuous solicitation procurements are on schedule. That's the way they were planned.

Senator MCCLURE. There will be further awards in the last two quarters of fiscal year 1983?

Mr. FURIGA. Certainly, sir.

Senator MCCLURE. Do you have any idea of the volume?

Mr. FURIGA. Approximately 7 to 8 million barrels more of sweet crude.

PHASE II CONSTRUCTION COSTS

Senator MCCLURE. The total cost of phase II facilities construction is projected in the justification to reach $755,629,000. This is an increase of $54,526,000 above the costs projected for phase II just 1 year ago. According to the justification the principal reason for this change of forecast is an increase in utility costs, and particularly electric power. How can your estimates for power cost possibly be off by $54 million?

Mr. FURIGA. It was purely a rate increase on the part of the utility company in fuel adjustment charges, sir, from the original estimate.

Senator MCCLURE. A $54 million difference in their rate structure?

Mr. FURIGA. In the cost to us over time through 1989, yes, sir.

Senator MCCLURE. Will you please provide for the record a specific breakdown of the 1983 justifications and 1984 justifications phase II projected costs at each of the SPR facilities?

Mr. FURIGA. Certainly, sir.

[The information follows:]

PROJECTED PHASE II COSTS BY FACILITY

A specific breakdown of the projected phase II costs in the fiscal year 1983 and fiscal year 1984 budget justifications appears below:

ESTIMATES AT COMPLETION—INCEPTION THROUGH FISCAL YEAR 1987

	Fiscal year—	
	1983 budget	1984 budget
Bryan Mound:		
Land acquisition	$890,000	$890,000
Design	3,483,000	3,483,000
Site construction	47,033,000	47,936,000
Pipeline construction	20,207,000	20,207,000
Drilling	57,979,000	57,979,000
Site project management	3,191,000	3,191,000
Security	1,665,000	1,665,000
Power	26,373,000	43,217,000
Operations and maintenance	48,905,000	52,687,000
Environmental	11,500,000	10,150,000
Subtotal Bryan Mound	221,226,000	241,407,000
West Hackberry:		
Land acquisition	13,259,000	13,462,000
Design	4,652,000	4,652,000
Site construction	78,470,000	78,605,000
Pipeline construction	46,691,000	46,691,000
Drilling	69,937,000	69,937,000
Site project management	6,181,000	6,181,000
Security	2,100,000	2,100,000
Power	35,170,000	67,352,000
Operations and maintenance	56,842,000	57,018,000
Environmental	11,487,000	12,712,000
Subtotal West Hackberry	324,789,000	358,710,000
Bayou Choctaw:		
Land acquisition	3,050,000	5,050,000
Design	675,000	675,000
Site construction	7,203,000	11,558,000
Drilling	19,124,000	14,058,000
Site project management	818,000	60,000
Power	2,025,000	4,295,000
Operations and maintenance	15,733,000	15,721,000
Subtotal Bayou Choctaw	48,628,000	51,417,000
New Orleans:		
Land acquisition	140,000	140,000
Design	6,811,000	6,811,000
Site construction	325,000	325,000
Site project management	52,076,000	49,289,000
Contingency and adjustment	19,455,000	16,865,000
Operations and maintenance	27,653,000	30,665,000
Subtotal New Orleans	106,460,000	104,095,000
Total phase II	701,103,000	755,629,000

PHASE II LEACHING AND CAVERN CONVERSION

Senator MCCLURE. For 1984 your phase II budget proposal of $61,933,000 calls for a stretchout of leaching and cavern conversion at Bayou Choctaw. How long will this work be stretched out and what are the additional costs associated with the stretchout?

Mr. FURIGA. We will provide the details for the record, Mr. Chairman. This is the cavern that we are developing at Bayou Choctaw to exchange with Allied Chemical for a cavern they are using. It's purely an operational stretchout. We will provide that for the record.

Senator MCCLURE. If you would, please.

[The information follows:]

PHASE II LEACHING AND CAVERN CONVERSION

Phase II at Bayou Choctaw involves the leaching of a single new cavern of 4.5 million barrels, which will be exchanged for an existing Union Taxes Petroleum owned cavern of approximately 10 million barrels. The phase II leaching schedule for the new cavern was delayed as a result of 1981 construction progress and a single-well leaching configuration to a mid-1985 completion date. As part of the cavern exchange agreement which was filed in December 1982, the SPR must provide for the transfer of all ethane storage from the existing cavern to the newly constructed cavern. The schedule for ethane transfer, conversion and certification of the existing cavern is highly dependent on the amount of ethane inventory to be transferred and is scheduled to be completed in 18 months or by December 31, 1986. The total estimated cost of this project was increased by 6 percent from $48.6 million to $51.4 million.

SPR SECURITY

Senator MCCLURE. Reports have circulated that the security system for SPR is deficient in many areas. Do you agree with that analysis?

Mr. VAUGHAN. No, sir. I think, Senator, that the security system of the strategic petroleum reserve is quite high and higher by a considerable margin than any comparable facility in the world and certainly any comparable facility in the private sector.

Senator MCCLURE. You have in fact spent $39.7 million over the past year in upgrading the security and emergency systems at the SPR facilities, and you propose to spend an additional $29 million for this purpose in 1984. How much do you expect this total upgrade project will cost and when do you expect to complete it?

Mr. FURIGA. Those costs you just cited, Mr. Chairman, are not purely for security upgrade.

Senator MCCLURE. It's security and emergency systems, isn't it?

Mr. FURIGA. As new codes come into effect from the States we have to upgrade our system. It's not purely security. I would be happy to provide the rest of the projects that make up that total.

Senator MCCLURE. I understand it is for both security and emergency systems. But would the expenditure of the additional $29 million in 1984 complete that project, including completion of the upgrading?

Mr. FURIGA. It depends on the changing codes, safety codes, fire codes, whatever, that come into effect during this year and next year. Based on what we know now that should take care of our backlog.

Senator MCCLURE. So far as you know now.

Mr. FURIGA. Unless there are new codes imposed upon us.

Senator MCCLURE. Would you provide for the record a detailed description of the work planned at each site in fiscal 1984?

Mr. FURIGA. Certainly.

Senator McCLURE. And to the extent that you have a work schedule in the years beyond 1984.

Mr. FURIGA. Yes, sir.

[The information follows:]

SAFETY, RELIABILITY, AND SECURITY UPGRADES WORK IN FISCAL YEAR 1984

Bryan Mound.—$4,395,000. Work to be done in fiscal year 1984 includes a fire sprinkler for the control building, upgrading of the fire protection system for the oil tanks, upgrade the reliability of the Halon system in the control room, construction of an anhydrite disposal pit, upgrade the instrument cable tray system, install a marine growth control system for the raw water intake system, upgrade the alarm display annunciator system and install additional closed circuit televisions for electronic surveillance system.

West Hackberry.—$17,971,000. Work to be done in fiscal year 1984 includes construction of safety barricades at all wellheads, fire hydrants, and critical equipment; complete control room and main building sprinkler systems, upgrade the control room Halon system, upgrade the slop oil tank including a concrete dike, line strainers and new valves, install safety platforms on the oil meter skid and pressure pump pad, provide emergency power for all site communication systems, install strainers for sprinkler system (water comes from intra-coastal waterway), upgrade main on-site roadways, add erosion protection to north dike of wellpad No. 6, install low-pressure alarms on the raw water lines for all caverns being leached, upgrade on-site communication system, add fire hydrants and sprinkler system to the warehouse area, create 8.8 acres of vegetated wetlands to replace marshes disturbed during construction, increase injection pump availability by adding additional pumps or remanifolding, replace phase I piping as necessary, upgrade cable tray systems for main power system from primary transformers to leach pumps and also for instrumentation, upgrade alarm display annunciator system, provide additional closed circuit televisions for electronic surveillance system.

Bayou Choctaw.—$627,000. Work to be done in fiscal year 1984 includes upgrading the control room Halon system, construction of an on-site communications tower and repeater system, upgrade strainers protecting leach pumps, construct a limestone laydown area, add insulation and ventilators for 5 KV switchgear building, protect fire pumps from weather with a pre-fab building, upgrade physical protection system with closed-circuit television, electric gate, and improved communications; upgrade alarm display annunicator system.

Weeks Island.—$1,762,000. Work to be done in fiscal year 1984 includes installation of dual basket strainers in the oil fill lines, install sprinkler systems in the control, maintenance, laboratory and fire pump buildings, construct vehicle barriers around vulnerable equipment, provide space in the main site facility for necessary DOE and contractor personnel, construct a permanent access road, install closed-circuit televisions for electronic surveillance, upgrade the alarm display annunciator system.

Sulphur Mines.—$2,570,000. Work to be done in fiscal year 1984 includes upgrading the switchgear and control room Halon system, epoxy coat the fire water tank to protect it from the highly corrosive water impurities at Sulphur Mines, add fire hydrants, monitors, and hose reels, replace deteriorating water piping, install a site emergency alarm, install a water treatment system to protect the control room fire sprinkler system from the highly corrosive water at Sulphur Mines, add weather protection for the fire pumps, install closed-circuit televisions for electronic surveillance, upgrade the alarm display annunciator system.

St. James Terminal.—$1,745,000. Work to be done in fiscal year 1984 includes installing a remote electrical trip system for the antitank fire foam system, install an emergency escape catwalk at the docks, complete the control building fire sprinkler system, integrate site security alarms into the instrumentation and monitoring display systems, construct an on-site quality assurance laboratory, construct a safe fuel dispensing station, install closed-circuit televisions for electronic surveillance, upgrade the alarm display annunciator system.

SAFETY, RELIABILITY, AND SECURITY UPGRADES WORK BEYOND FISCAL YEAR 1984

A tentative list of tasks (projects) to be performed under the modifications program (safety, reliability, and security) exists for fiscal years 1985, 1986, 1987, and 1988. The total estimated value (labor, material design and construction services, and construction supervision) for the identified modifications program in the above 4 fiscal years is approximately $72,800,000. The tasks number in excess of 225 and have construction values ranging from $5,000 to $2 million. The modifications program developed for fiscal year 1984 was based on a balancing of the relative priority of each individual task and whether or not the task could be performed in fiscal year 1984 and not interfere with SPR program storage and oil fill goals. Tasks which interfered with these goals were deferred until they could be accomplished without interference.

This list of projects contains some proprietary data, and will be furnished to the subcommittee under separate cover.

SPR SECURITY

Senator MCCLURE. You have indicated that you are responsive to codes, and, Mr. Secretary, you are right. There have been some people saying, hey, you are spending too much money. As a matter of fact, I think if you compare it to comparable facilities in the private sector that we perhaps already have more than the comparable facilities in the private sector, is that correct?

Mr. VAUGHAN. Absolutely, sir.

Senator MCCLURE. If that's the case, then are we being driven just by local codes?

Mr. FURIGA. No, sir. I didn't mean to imply that our security systems were being driven by local codes. I was talking about the safety and the fire protection area. Our security systems which we are installing are derived from various vulnerability studies we have done on the program and the fact that it is considered a national security asset. We feel our security must be something higher than industry.

Senator MCCLURE. Well, how about emergency systems, the fire codes, safety codes, things of that nature? Are we doing more than is done at comparable private installations?

Mr. VAUGHAN. I think it is fair in some areas, Senator, to say that yes we do more, and I think we believe we should do more because of the mission of this program. However, I do not agree with those who say we have gone to goldplating it and that sort of thing. We are quite concerned through the National Security Council, and there have been some hearings in the Senate on the subject of energy systems vulnerability, including this problem, and we have tried in this administration to be responsive to that, and I think you are seeing that response reflected in these upgrades.

They are planned projects; they are not crash programs and that sort of thing; and they are responding to what our threat analysis people in the Federal Government feel is a better flow of intelligence and vulnerability of this country.

I think it is fair also to say that as this reserve builds it becomes a more inviting target. We try to be mindful of that.

Senator MCCLURE. I appreciate that answer, and I think it is important that you have that answer on the record so the critics of the

program have a point of reference. If there are indeed critics who remain after your answer, I would invite them to comment to the committee.

I will submit a number of questions with respect to the plan which is being considered with respect to the sale of oil futures contracts for your response for the record, if you would do so, please.

Mr. VAUGHAN. Of course, Senator.

ENERGY EMERGENCY PREPAREDNESS

Senator MCCLURE. Let's now turn to the energy emergency preparedness activity whose fiscal year 1984 budget request totals $5,230,000, an increase of $40,000 over the 1983 appropriated level. It should be noted in this regard that the emergency planning and operations request for 1984 is a reduction of $135,000 from 1983 while program direction has increased by $175,000.

Mr. Vaughan, once again you have raised the specter of price and allocation controls. And once again, in my opinion, you are doing this committee and the Congress a disservice. The law our current President signed establishes as national policy that, and I quote:

> It shall be the policy of the United States that the Federal Government shall be prepared prior to any shortage of petroleum products to respond to energy emergencies pursuant to authorities under provisions of law other than this part as a supplement to reliance on the free market to mitigate the adverse impacts of a shortage of petroleum products on public health, safety, and welfare (Sec. 271(B).

We are here today to determine whether your program is structured to achieve that purpose.

EXECUTIVE MANPOWER RESERVES

The Department has indicated that it is revitalizing the executive manpower reserves to be available to respond to declared national defense emergencies. DOE is currently in the process of evaluating other possible uses for the executive reserve program, but no decisions on such other uses have been made at this time.

In other words, you have not decided whether the executive manpower reserve will be available to support IEA obligations, is that not correct?

Mr. VAUGHAN. We have not made a final decision on that subject, no, sir.

Senator MCCLURE. And you have not decided whether the executive manpower reserve will be available to support less severe energy emergencies.

Mr. VAUGHAN. No, we have not made a final decision.

Senator MCCLURE. Yet, last year before this subcommittee you proposed a broader use of the executive manpower reserve than just during declared national defense emergencies.

Mr. VAUGHAN. We have worked in that direction in the intermediate period.

Senator McCLURE. But you have made no decision.

Mr. VAUGHAN. No final decision, no, sir.

Senator McCLURE. Therefore, as we are sitting here today you don't know whether you can or not or will or not.

Mr. VAUGHAN. As part of that evaluation process we are testing the use of the executive reserves in the allocation system for the international energy program. A number of executive reservists are playing in this exercise.

Senator McCLURE. Is this narrower application due to questions regarding the adequacy of existing laws to respond to nondefense related energy emergencies?

Mr. VAUGHAN. There are still, Senator, a number of questions primarily about the antitrust and conflict of interest areas. Based on the advice of counsel, I believe that we have the ability to use them in situations other than fully declared national defense emergencies. That is not a totally settled legal question because there are those who disagree, and it is only because there are those who disagree that we in the program are giving you answers of no final decision. We believe that we are on pretty sound ground.

Senator McCLURE. I believe you have filed with a committee of the Congress, if not this committee, copies of the memorandum from the Justice Department as well as from your own solicitor on the point of legal authority to use manpower reserves. Am I correct?

Mr. VAUGHAN. I believe you are referring, Senator, to the report from last fall, the first of the seven or eight reports on legal authorities. Yes, it has been formally filed.

Senator McCLURE. If I recall correctly, both the Justice Department and the GAO have concluded that the authority of the Defense Production Act can only be utilized to meet defense related needs. They have concluded that such authority cannot be utilized to meet civilian needs. It is my understanding that you propose to use the executive manpower reserve to respond to any energy emergencies even those that do not meet these criteria.

Mr. VAUGHAN. I believe the distinction here, Mr. Chairman, is what constitutes defense related needs. That can be defined, and frequently has been in the past, in rather broad terms. In fact one line of analysis would hold that almost any energy emergency of significant volume necessarily must have some defense impact.

Senator McCLURE. That is a line of reasoning we have been familiar with with other administrations that have sought to expand the power of the Federal Government. It's not something we are used to having the Reagan administration tell us, that they seize upon ambiguous authority to assert the right to do whatever they think is good for the country.

Well, again, we have suggested in the past, and I will suggest again, that if that authority is ambiguous you are going to be in court. If somebody is dropping bombs on us, I suspect the courts will act relatively expeditiously, if indeed anybody goes there and the bombs don't

hit the courtroom. But in lesser emergencies I suspect the courts will exercise due and deliberate attention to that problem and in the course of due time, say 2 or 3 years, we will have a resolution of it.

Mr. VAUGHAN. Senator, certainly I would agree with you, and I think a fair analysis of this area is there are some ambiguities. This administration has candidly admitted there are ambiguities. However, in the context in which this administration has quite publicly announced it intended to deal with energy emergencies, while you cannot guarantee no court action, there is less likelihood of a court action to block the Government in its actions to support the market allocations as opposed to regulations through the use of these programs. I think that is a fair ground for us to have some less concern.

Senator MCCLURE. That gets us perhaps full circle in the discussion. You don't worry about having to exercise the authority because you don't intend to exercise the authority.

Mr. VAUGHAN. I think on allocation controls we are very clear. We do not intend to exercise that kind of authority and have not sought it and do not plan to exercise that kind of authority.

Senator MCCLURE. That's a clear statement, although even within the administration I am not certain that that is totally unambiguous.

GAO REPORT ON ENERGY EMERGENCY RESPONSE PROCEDURES

In his prepared statement on March 7 Secretary Hodel observed that:

> While GAO has raised some valid concerns in specific parts of the report, we disagree fundamentally with GAO's critique. A written response will be provided by DOE within the near future.

Over 2 months have passed since the General Accounting Office report of February 13, 1983, entitled "Analysis of the Comprehensive Energy Emergency Response Procedures Report." When can we expect your response?

Mr. VAUGHAN. That report is in the clearance and review process in the administration now, and I would think it would be here certainly in 30 days.

EPCA ANTITRUST EXEMPTION

Senator MCCLURE. In your opinion is the antitrust exemption in section 252 of EPCA available for voluntary domestic as distinguished from international allocation by oil companies to meet IEA obligations?

Mr. VAUGHAN. There is disagreement within the administration on the validity of that exemption, Senator.

Senator MCCLURE. Do you believe that the EPCA exemption applies to domestic situations that are short of IEA obligations?

Mr. VAUGHAN. No, not short of an IEA situation.

Senator MCCLURE. Do you believe that the antitrust exemption in EPCA, section 252, is applicable to domestic allocation when IEA obligations are triggered?

Mr. VAUGHAN. I am informed, Senator, that the legislative history of the exemption to which you refer would lead one to conclude that it

was not intended to be used for purely domestic situations, that it was designed to be used for the fair sharing system under the international energy program.

Senator MCCLURE. And that would apply to the allocations between countries but not to domestic allocations within this country, is that correct?

Mr. VAUGHAN. Yes, sir.

Senator MCCLURE. Since it is not available to domestic allocations within this country, how do you expect the fair sharing program to work within the United States?

Mr. VAUGHAN. When you get inside the borders of this country, Senator, the policy of this administration has been to allow price to allocate energy supplies and then to supplement, if appropriate, with the strategic petroleum reserve. In other words, a market response. It is the basic strategy of this administration to deal with emergencies totally inside the United States or after they get inside our borders, and particularly if they do not have the defense overtones, the President does not see fit to invoke the authorities under the DPA.

Senator MCCLURE. Mr. Vaughan, you would know that I don't share that feeling, but I don't intend to debate it with you today.

Mr. VAUGHAN. I am well aware that we do not share agreement on that subject, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Mr. Vaughan, I want to thank you for your testimony today. It has been clear and direct, and I appreciate your response to the questions. We will be submitting other questions to you for your response in writing.

Thank you very much.

Mr. VAUGHAN. Thank you.

Senator MCCLURE. I do want to thank Captain Gilmore and those from the naval petroleum and oil shale reserves for being here today. I am sorry that the press of time has made it impossible to do other than submit questions to you for your reponse in writing at another time.

Thank you all.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Days of Net Oil Imports

Question: For fiscal year 1984, you have requested 583 million, 100 thousand dollars for oil acquisition and transportation. At your calculated cost of $35.08 per barrel during 1984, this funding will allow the purchase of some 16 million barrels of petroleum, all of which is planned for delivery in 1985. Based on fiscal year 1983 purchases which will be delivered during 1984, the total fill at the close of fiscal year 1984 is projected to be 410 million barrels, or 54.6 percent of the total planned SPR completion level of 750 million barrels. Based on the projected fill of 410 MMB and on the current level of net oil imports, how many days of inventory does this level represent if all imports were stopped? How many days of inventory does it represent if imports from OPEC sources were stopped?

Answer: Due to minor revisions in FY 1983 SPR fill rate projections, a 411 million-barrel inventory would be achieved by the end of FY 1984 if a 145,000 barrels per day rate is sustained in FY 1984.

During calendar year 1982, U.S. net oil imports excluding oil for the SPR, averaged 4.037 million barrels per day; a 411 million-barrel inventory would thus represent approximately 102 days of equivalent 1982 oil imports. During 1982, the United States imported an average of 2.113 million barrels per day from OPEC nations; a 411 million-barrel inventory would thus represent approximately 195 days of equivalent 1982 U.S. imports from OPEC.

SPR Fill Policy

Question: Is it good policy to gamble on lower fill levels when you are faced with the realities of world politics and the countries from which we are purchasing so much of our SPR oil?

Answer: Overall budget considerations have compelled the Administration to propose reductions in a variety of programs, including but not limited to the SPR. Although outlays for SPR petroleum purchases are off-budget, they affect Federal borrowing and economic activity the same as on-budget spending. The budget request for FY 1984 also takes into account the dramatically improved oil market, the reduction in U.S. reliance on imported oil and the improved U.S. capability to deal effectively with disruptions through the buildup of the SPR to over 300 million barrels. The SPR budget request continues at a reasonable rate the growing capability of the SPR to provide economic and strategic security to the nation.

Question: If the Congress determines that your 1984 request is insufficient and determines that a minimum 220,000 average barrel per day level is more desirable, how much oil over that already planned for 1984 delivery will you have to purchase?

Answer: Under current Administration oil price projections, if the SPR is filled at a rate of 220,000 barrels per day during FY 1983, available budget resources would permit the acquisition of 69.2 million barrels (190,000 barrels per day) for delivery during FY 1984. In addition, the President's FY 1984 request would provide for 18.8 million barrels to be purchased in FY 1984 for delivery in FY 1985.

A further 11.1 million barrels would need to be acquired for delivery in FY 1984 to achieve a 220,000 barrels-per-day rate in that year.

Question: What will the total 1984 acquisition cost be to meet the 220,000 barrel per day level?

Answer: The total acquisition cost for 220,000 barrels per day in FY 1984 would be approximately $2,426 million under current oil price

projections plus a further $40 million for interim storage. The extent to which this would require additional budget resources is dependent on decisions regarding FY 1983 fill rates and the level of advance orders for FY 1985.

SPR Price Per Barrel

Question: The weighted average price per barrel of crude oil delivered to SPR terminals during the period of October 1, 1982, through December 31, 1982, was $34.16 per barrel. What was the weighted average per barrel price for such crude delivered between January 1, 1983, and March 31, 1983? How do these figures compare with the average market contract price and spot market price during the same six month period?

Answer: The weighted average per barrel price for crude oil delivered between January 1, 1983, and March 31, 1983, is estimated to be $31.30, excluding customs duties, terminalling charges, environmental taxes, and contract discounts.

It is difficult to derive meaningful comparisons between SPR cost experience and that of the private sector because of the many factors including crude quality, location, and contract terms, which are important in establishing the market value of crude oil. Also, average U.S. refiner cost information for the first three months of 1983 is not yet available. However, the February 1983 Short-Term Energy Outlook published by the Energy Information Administration suggests that the average refiner acquisition cost for imported oil in the fourth quarter of 1982 was $33.07 per barrel.

For the first quarter of 1983, this report established a range of price forecasts from $30.67 per barrel to $33.08 per barrel. In general, SPR oil price experience is very similar to private sector experience, with higher-sulphur (sour) crude supplies costing somewhat below the private sector average for all quality crudes, and lower-sulphur (sweet) crude supplies costing somewhat above the commercial average. In addition to crude oil quality factors, SPR cost experience is affected by the requirements of the Cargo Preference Act concerning use of U.S. flag transportation.

Storage Facilities Development

Question: As I mentioned earlier, the House of Representatives on March 10, 1983, disapproved a proposed deferral of $57.4 million of fiscal year 1983 funds. This deferral was intended to slow development of the Phase III, 140 million barrel Big Hill storage site. As of March 31, 1983, DOE had not spent any of these funds but, rather, was studying options for their use. Have you completed that study? If so, what are your recommendations if other than continued development of Big Hill? If not, when do you expect to complete the study? How long do you believe you can hold these funds before you will be in violation of the Impoundment Control Act?

Answer: While a short amount of planning time was necessary to decide how best to proceed, Big Hill development is now occuring at an accelarated pace. Over $21 million has been obligated and an additional $71 million is committed but not finally obligated. Details of Big Hill funding that has been obligated and committed from FY 1981 to date are presented below:

	Procurement	Actual Obligations	FY 1983 Commitments
FY 1981:			
	Design	$ 1,202,000	
	Subtotal FY 1981	$ 1,202,000	

FY 1982:		
Safety & Risk Analysis	$ 400,000	
Design	13,926,000	
Temporary Power	250,000	
Land	24,864,000	
Subtotal FY 1982	$39,440,000	
Safety & Risk Analysis	$ 179,329	
Drill Casing	3,424,310	
Drill Casing	1,106,399	
Drill Casing	789,020	
Drill Casing	255,326	
Wellheads	1,307,130	
Site Prep (Stage I)	677,000	$ 123,000
Site Prep (Stage II)		2,800,000
Circuit Switch Gear		429,000
Main Transformer		1,162,000
GSA Permanent Power	2,480,800	
Force Contractor		130,000
Site Construction		66,658,000
Drill Rigs	10,600,000	
Offshore Monitoring	200,000	
Subtotal FY 1983	$21,018,914	$71,322,000
Grand Total	$61,440,914	$71,322,000

Total of obligations plus commitments is $132,762,914.

Question: The Department reportedly had a fiscal year 1982 carryover of storage facility development and operations funds totalling some $78 million. This figure remained from total available funds of some 320 million, 100 thousand dollars. Did you in fact have such a carryover and, if so, why? For the record, please provide a breakdown of these carryover funds by program.

Answer: Total available resources for obligation in FY 1982 was $256.42 million in the on-budget Strategic Petroleum Reserve account. Of this total, $78 million was carried over to FY 1983; however, only $59.6 million was for storage facility development. Of this total, $39.6 million was in Phase III where a fourth quarter overturn of a deferral of $52.86 million did not allow sufficient time to obligate these funds as originally scheduled. The second largest carryover occurred in Phase II caused by a variety of factors including a revision to the configuration at the Bayou Choctaw site. The third largest carryover was the planned carryover of the remaining "on budget" fund to be used as a source of reprogrammable funds for paying land condemnation and contract settlement claims such as the Bannister reprogramming in FY 1982.

A breakdown of the FY 1982 carryover by program element appears below:

Unobligated Carryover from FY 1982
(dollars in thousands)

Program	FY 1982 Carryover
Planning	$ 2,908
Facilities:	
Phase I	534
Phase II	18,837
Phase III	39,572
Non-Phase	671
Subtotal	$59,614
Program Direction	2,771
On-Budget Oil	12,707
Total SPR On-Budget	$78,000

Question: Under Phase II construction, solution mining of new caverns commenced at Bryan Mound in March 1980, and at West Hackberry in May 1981. What percentage of completion are these two sites and when will work be complete?

Answer: As of April 1, 1983, Phase II cavern development at Bryan Mound which consists of 12 new storage caverns, was approximately 59 percent complete in terms of cumulative capacity created. Five of the 10 million barrel storage caverns have been completed and final fill of these caverns is in process. Phase II at Bryan Mound is scheduled to be completed in the first quarter of 1986.

As of April 1, 1983, Phase II cavern development at West Hackberry, which consists of 16 new storage caverns, was approximately 29 percent complete in terms of cumulative capacity created. Phase II at West Hackberry is scheduled to be completed in the last quarter of 1987.

Question: What is your projection of the total cost of Phase III under the assumptions of a total 600 million barrel fill and a total 750 million barrel fill, both by 1989?

Answer: The current Phase III plan provides for the expansion of the Strategic Petroleum Reserve to 750 million barrels of oil storage through the expansion of existing storage sites and the acquisition and development of one new site at Big Hill, Texas. The total estimated cost of completing Phase III by 1989 is $1,134 million (excluding oil cost).

A 600 million barrel program would involve the elimination of the proposed Big Hill storage site. Considering funds already spent or committed to the Big Hill project this fiscal year, the estimated cost of Phase III under a 600 million barrel program would be approximately $400 million (excluding oil cost).

SPR Employment

Question: For the record, please provide a breakdown of the number of employees by job description, at each SPR facility, including headquarters.

Answer: The following breakdown includes OTPTP:

STRATEGIC PETROLEUM RESERVE
PROGRAM OFFICE

OFFICE	TITLE
OFFICE OF THE DAS	1 Deputy Assistant Secretary
	1 Deputy Director
	2 Secretary (Steno)
Executive Office	1 Program Analysis Officer
	6 Program Analysts
	1 Admin. Svcs. Assistant
	2 Secretary (Typing)
	1 Clerk Stenographer
	1 Clerk Typist
	1 Clerk
SYSTEMS DIVISION	1 Director
	1 Secretary (Steno)
	1 Clerk Typist
Technical Branch	1 Branch Chief
	2 Geologists
	1 Tech. Spec. for Fossil Energy
	1 General Engineer
	1 Chemist

Logistics Branch	1 Branch Chief 1 Operations Research Analyst 1 Petro Log. Specialist 1 Logistics Mgmt. Spec. 1 Industry Mgmt. Spec. 1 Secretary (Typing)
PLANNING AND FINANCIAL MANAGEMENT DIVISION	1 Director 1 Secretary (Steno)
Planning Branch	1 Branch Chief 2 Operations Research Analysts 1 Industry Economist 4 Program Analysts 1 Policy Analyst 1 Secretary (Steno) 1 Clerk Typist
Financial Management Branch	1 Branch Chief 1 Financial Res. Mgmt. Spec. 1 Resource Mgmt. Spec. 2 Budget Analysts 1 Clerk Typist 1 Secretary (Typing)
OFFICE OF THE PROJECT MANAGER	1 Project Manager 1 Deputy Project Manager 1 Secretary (Typing)
Project Planning and Control Staff	1 Director 1 General Engineer 2 Program Analyst 1 Computer Spec. 1 Secretary (Steno)
ASSISTANT PROJECT MANAGER-TECHNICAL ASSURANCE	1 Director 1 Secretary (Typing)
Environmental, Safety & Health Division	1 Director 1 Oceanographer 2 Environmental Protection Spec. 1 Fire/Safety Engineer 1 Safety Specialist 1 Safety & Occupation Health Spec. 1 Secretary (Typing)
Quality Assurance Division	1 Director 4 Quality Assurance Specialist 1 Mechanical Engineer 1 Secretary (Typing)
ASSISTANT PROJECT MANAGER-MANAGEMENT & ADMINISTRATION	1 Assistant Project Manager 1 Business Management Officer 1 Secretary (Steno)
Administration Division	1 Director 1 Management Services Spec. 1 Personnel Officer 2 Management Assistants 1 Secretary (Steno) 1 Personnel Assistant (Typing)
Procurement Division	1 Director 1 Procurement Analyst 1 Secretary (Typing)
Operations Contracting Branch	1 Chief 5 Contract Specialist 1 Procurement Clerk (Typing)

Facility Development Contracting Branch	1 Chief 4 Contract Specialist 1 Procurement Clerk (Typing) 1 Procurement Assistant (Typing)
Contracts & Property Management Branch	1 Chief 2 Industrial Property Management Spec. 2 Procurement Assistant 1 Procurement Clerk (Typing)
Finance Division	1 Director 1 Secretary (Typing)
Budget & Financial Services Branch	1 Chief 4 Budget & Financial Services Spec. 1 Budget Analyst 1 Financial Specialist
Accounting Branch	4 Operating Accountants 2 Accounting Technicians 1 Voucher Examiner 1 Clerk Typist
ASSISTANT PROJECT MANAGER-OPERATIONS	1 Assistant Project Manager 1 General Engineer 1 Secretary (Typing)
Security & Communications Division	1 Security Officer 4 Security Specialists 1 Communications Specialist 1 Security Clerk (Typing)
O&M Plans & Readiness Division	1 Director 2 Logistics Management Specialists 1 General Engineer 1 Industrial Maintenance Management Spec. 1 Industrial Specialist 1 Secretary (Typing)
Site Operations Division	1 Site Operations Manager 1 Petroleum Engineer (Drilling) 1 Secretary (Steno)
Seaway Branch Bryan Mound	1 Site Operations Manager 1 Site Operations Specialist 1 General Engineer (Cavern Operations) 1 Clerk Steno
Texoma Branch West Hackberry Sulphur Mines	1 Branch Chief 1 Site Operations Specialist 1 Assistant Resident Engineer 1 Clerk Typist
Capline Branch St. James, Weeks Island Bayou Choctaw	1 Site/Terminal Operations Manager 2 Site/Terminal Operations Specialist 2 Resident Engineers 1 Construction Representative 3 Clerk Steno
Crude Oil Programming Division	1 Director 1 Logistics Management Specialist 1 Transportation Specialist 1 Traffic Management Specialist 2 Accounting & Inventory Management Specs. 1 General Supply Specialist 1 Secretary (Steno)

Site Utilization & Maintenance Support Branch	1 Chief 3 Site Operations Specialists 2 Industrial Maintenance Management Specs. 1 Secretary (Typing)
ASSISTANT PROJECT MANAGER-ENGINEERING & CONSTRUCTION	1 Assistant Project Manager 1 General Engineer 1 Secretary (Steno)
Construction Division	1 Director 1 Realty Specialist 4 General Engineers 1 Engineering Technician 2 Secretary (Typing)
Design Engineering Division	1 Director 2 Secretary (Steno)
Site Engineering Support Branch	1 Mechanical Engineer 2 Electrical Engineers 1 Petroleum Engineer
Systems Engineering Division	1 Director 2 General Engineers 1 Geologist 1 Secretary (Steno)

Object Class Data

Question: Please provide for the record a summary of requirements by object class for each of SPR's budget line items. Copies of similar information provided by the U.S. Geological Survey for you to use as examples of what is needed is being provided. Likewise, please provide for the record line item information concerning program, financing and personnel. Again, examples of what is needed will be provided.

Answer: The following is provided for the record:

Strategic Petroleum Reserve Object Class
by Budget Line Item
(dollars in thousands)

Appropriation: Strategic Petroleum Reserve

Budget Line Item: Storage Facilities Development

Direct Obligations:	FY 1984 Base 1/ FTE	FY 1984 Base 1/ Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
32.0 Lands and Structures	0	224,742	0	199,757	0	- 24,985

Appropriation: Strategic Petroleum Reserve

Budget Line Item: Petroleum Acquisition and Transportation

Direct Obligations:	FY 1984 Base 1/ FTE	FY 1984 Base 1/ Amount	FY 1984 Estimate FTE	FY 1984 Estimate Amount	Inc. (+) or Dec. (-) FTE	Inc. (+) or Dec. (-) Amount
25.0 Other Services	0	12,707	0	0	0	- 12,707

Appropriation: Strategic Petroleum Reserve

Budget Line Item: Planning

1/ FY 1983 appropriation

Direct Obligations:	FY 1984 Base 1/ FTE	Amount	FY 1984 Estimate FTE	Amount	Inc. (+) or Dec. (-) FTE	Amount
25.0 Other Services	0	10,908	0	6,250	0	- 4,658

Appropriation: Strategic Petroleum Reserve

Budget Line Item: Management

Direct Obligations:	FY 1984 Base 1/ FTE	Amount	FY 1984 Estimate FTE	Amount	Inc. (+) or Dec. (-) FTE	Amount
11.0 Personnel Compensation:						
11.1 Full-Time permanent	179	7,196	179	7,200	0	+ 4
11.3 Other than full-time permanent	19	427	19	457	0	+ 30
11.5 Other personnel compensation	2	60	2	118	0	+ 58
11.9 Total personnel compensation	200	7,683	200	7,775	0	+ 92
12.1 Personnel benefits Civilian		724		791		+ 67
21.0 Travel and transportation of persons		539		647		+ 108
22.0 Transporation of things		245		110		- 135
23.2 Communications, utilities and other rent		1,384		797		- 587
24.0 Printing and reproduction		40		43		+ 3
25.0 Other services		3,697		0		- 3,697
26.0 Supplies and materials		48		0		- 48
99.9 Total Obligations	200	14,360	200	10,163	0	- 4,197

1/ FY 1983 appropriation

Strategic Petroleum Reserve
Object Classification
(in thousands of dollars)

Identification code 89-0218-0-1-274	1982 actual	1983 est.	1984 est.
Personnel compensation:			
11.1 Full-time permanent	6,577	7,196	7,200
11.3 Other than full-time permanent	321	427	457
11.5 Other personnel compensation	55	60	118
11.9 Total Personnel compensation	6,953	7,683	7,775
12.1 Personnel benefits: Civilian	703	724	791
13.0 Benefits for former personnel	17	.....	.....
21.0 Travel and Transportation of persons	435	539	647
22.0 Transportation of things	39	245	110
23.2 Communication, utilities and other rent	2,141	1,384	797
24.0 Printing and reproduction	38	40	43
25.0 Other services	9,989	27,312	6,250
26.0 Supplies and materials	7	48	.....
32.0 Lands and structures	158,108	224,742	199,757
99.9 Total obligations	178,430	262,717	216,170

Strategic Petroleum Reserve
Program and Financing
(in thousands of dollars)

Identification code 89-0218-0-1-274		1982 actual	1983 est.	1984 est.
	Program by activities:			
	1. Storage facility development	158,108	224,742	199,757
	2. Petroleum acquisition and transportation	232	12,707	.....
	3. Planning	8,789	10,908	6,250
	4. Management	11,291	14,360	10,163
10.00	Total obligations	178,420	262,717	216,170
	Financing:			
21.40	Unobligated balance available, start of year	-64,987	-77,999	-57,400*
24.40	Unobligated balance available, end of year	77,999	57,400*	.....
40.00	Budget authority (appropriation)	191,432	242,118	158,770
	Relation of obligations to outlays:			
71.00	Obligations incurred, net	178,420	262,717	216,170
72.40	Obligated balance, start of year	1,914,339	131,657	110,517
73.40	Obligated balance transfered, net	- 1,771,100	.....	.....
74.40	Obligated balance, end of year	-131,657	-110,517	-99,087
77.00	Adjustments in expired accounts	698	.....	.....
99.00	Outlays	190,700	283,857	227,600

* These amounts were included in the President's budget and reflected the deferral of some FY 1983 Phase III funding. This deferral was overturned by the House in March. The majority of these funds will therefore be obligated in FY 1983.

Strategic Petroleum Reserve
Personnel Summary

Total Number of Full-time permanent positions	184	179	179
Total compensable workyears:			
Full-time equivalent employement	199	200	200
Full-time equivalent of overtime and holiday hours	2	2	2
Average ES salary	$55,940	$56,376	$56,376
Average GS grade	12.01	12.01	12.13
Average GS salary	$36,429	$37,154	$38,217

Strategic Petroleum Account
Program and Financing
(in thousands of dollars)

Identification code 89-0233-0-1-274		1982 actual	1983 est.	1984 est.
	Program by activities:			
	Direct program: Petroleum acquisition and transportation	3,376,513	2,381,547	583,100
	Reimbursable program	300,000	.....	.....
10.00	Total obligations (object class 25.0	3,676,513	2,381,547	583,100
	Financing:			
11.00	Offsetting collections from Federal Funds	-300,000	.....	.....
21.40	Unobligated balance available, start of year	.....	-307,487	.....
24.40	Unobligated balance available, end of year	307,487	.....	.....
40.00	Budget authority (appropriation)(general fund)	3,684,000	2,074,060	583,100
	Relation of obligation to outlays:			
71.00	Obligations incurred, net	3,376,513	2,381,547	583,100
72.40	Obligated balance, start of year	.....	1,494,785	2,105,732
73.40	Obligated balances transfered, net	1,804,924	.....	.....
74.40	Obligated balance, end of year	-1,494,785	-2,105,732	-822,432
77.00	Adjustments in expired accounts	-1	.....	.....
90.00	Outlays	3,686,651	1,770,600	1,866,400

Strategic Petroleum Account

Object Classification

All funds in this account are Object Class 25.0, Other Services.

Personnel Summary

No personnel are requested or funded in this account.

Futures Contracts for SPR Oil

Question: On April 8, 1983, a notice in the Federal Register indicated that the Department of Energy is considering a plan to sell "futures contracts" now for delivery of SPR oil later during some energy supply emergency. I recognize that this proposal is still out for public comment, but would you please describe how these futures contracts would be designed -- who would you expect to bid on them (just the majors or small speculators as well?), what might be the minimum size delivery, what safeguards would be installed to prevent any one company or family of companies from acquiring a dominant share of the Reserve, and how much of the reserve might actually be put up for "sale"?

Answer: Many factors, objectives and circumstances must be taken into account in reaching a decision on how SPR futures contracts would be designed. The specifics of any forward sales procedure for SPR drawdown has not been developed to date. We plan to use the public responses to the Federal Register notice of April 8, 1983, in determining whether such mechanisms would be desirable. In addition, Harvard, under contract to DOE, has examined the benefits of pre-crisis sales of SPR oil and will continue to evaluate various SPR forward sales mechanisms.

Question: What authority do you presently have to sell SPR oil under a "futures" arrangement or to acquire and store oil in the future under this kind of arrangement?

Answer: A "futures" contract ordinarily is understood to involve a definite commitment to deliver oil at a time certain in the future. The Energy Policy and Conservation Act (EPCA) provides in section 161(d) that the SPR cannot be drawn down "unless the President has found that implementation of the SPR Distribution Plan is required by a severe energy supply interruption or by obligations of the United States under the international energy program." This requirement makes it impermissible, within the scope of existing legal authority, for the Government to sell "futures" contracts on SPR oil in advance of a SPR drawdown.

We find nothing in the EPCA or in other law that, in principle, would prevent the purchase of oil for storage in the SPR through "futures" contracts, so long as the award of such contracts and their provisions are consistent with applicable laws governing Federal procurement and the use of appropriated funds. However, EPCA section 160(c)(1) imposes certain requirements for current fiscal year fill of the SPR at a "minimum required fill rate"; these requirements have been analyzed by the DOE General Counsel in an opinion of March 8, 1983, a copy of which is enclosed. Any use of available appropriations to acquire oil for future storage in the SPR would have to be consistent with these requirements governing SPR oil storage in the current fiscal year.

Question: How do you envision that a "futures sale" would result in the least cost to the consumer or to the American taxpayer during an oil supply shortage? What analyses have you conducted to support this conclusion? Please provide copies of these analyses for the record?

Answer: We have not completed our analysis of "futures sale" of SPR oil including costs to the consumer. However, one analysis conducted by Harvard supports this conclusion. Their paper entitled "Drawing Down the Strategic Petroleum Reserve: The Case For Selling Futures Contracts" by Devarajan and Hubbard, June 1982, indicated that by guaranteeing supplies to the market during a disruption, the futures sale lowers expected future profits from speculation. This, in turn, reduces inventory demand and prevailing spot prices.

A copy of this paper is provided for the record.

Question: Is this "futures" concept simply a mechanism to reduce federal budgetary costs now to reduce the deficit or can it be justified by other reasons?

Answer: Presently, the "futures" concept referenced in the DOE notice published in the Federal Register on April 8, 1983, is not envisioned as a mechanism to reduce federal budgetary costs or deficits. The "futures" concept arose from a concern on the timing of an SPR drawdown decision and the amount of time it would take for SPR volumes introduced into the marketplace to have their impact. DOE hopes to gain insight into these merits as well as others based on the public response to the recent Federal Register notice.

Question: Given the sharp decline in petroleum prices in recent months and the present excess supply conditions and the fact that the nation is still in a recession, is this the right environment to maximize government income from these "future" sales?

Answer: The ability of the government to maximize income from SPR "futures" sales would depend on the specifics of the "futures" mechanism to be used and the incentives for the market to participate in such sales under various market conditions. Currently, DOE is in the process of determining these factors. It is anticipated that the public response to the recent Federal Register notice will provide some insight into the determination of these factors.

Question: When asked for the record whether the Department intends that conditions be imposed on the sale of SPR oil so as to avoid hoarding of, or speculation with, SPR oil, you responded that--

> "DOE has no present plans to impose contractual requirements on SPR oil buyers that they refine the oil within a specified period of time or sell the resulting products. Once private party has taken delivery of SPR oil, decisions as to the use of that oil are within the discretion of that purchaser."

In other words DOE does not intend to take steps to avoid hoarding, would you comment?

Answer: It is DOE's position that the marketplace can best determine how and when oil should be refined and the resulting product sold. DOE, of course, will be alert to deliberate attempts to interfere with the SPR program objectives, and will take such responsive actions as may be appropriate.

SPR Fill Rate

Question: Under The President's budget you do not plan to reach 500 million barrels of storage until the middle of fiscal year 1987. This compares to mid 1985 under the statutory mandate to fill at 220,000 barrels per day. Since you have a statutory mandate to fill at 220,000 barrels per day, on what basis do you justify not complying with the law?

Answer: This Administration does not intend to ignore applicable law. However, the Energy Emergency Preparedness Act provisions for establishing minimum SPR fill rates make such fill rates dependent on the availability of funds. Thus, the President and the Congress have the responsibility to reexamine SPR fill rates periodically as a part of the budget process. The Administration is following these procedures in proposing the fill rates associated with the President's FY 1984 budget. The fill rates in FY 1984 and future years will be dependent on the final resolution of the FY 1983 fill rate question as well as on appropriations enacted by the Congress.

Question: If the Administration does not support the mandated 220,000 barrels per day then why do you not propose legislation to change this statutory mandate rather than use the appropriations process to circumvent the law?

Answer: The amendments to the Energy Policy and Conservation Act specifying a minimum SPR fill rate are applicable "to the extent funds are available" and "subject to the availability of funds." If appropriations are insufficient to pay for a 220,000 barrels per day rate, then the fill rate may be lower than 220,000 barrels per day. As provided in the amendments, the appropriations process is a means to determine the fill rate. We are working through the existing channels as provided by the Congress.

SPR Distribution Plan

Question: Under section 161(b) of EPCA any drawdown and distribution of the Reserve must be "in accordance with the provisions of" the SPR Distribution Plan. Yet in your answers to questions for the record at the Energy Committee you stated that "a failure to mention some otherwise applicable Congressionally enacted authority has no effect on the

availability of that authority in case of a SPR drawdown and distribution in accordance with the provisions of the Distribution Plan." These statements appear inconsistent to me. Would you explain why they are not?

Answer: The only reference in the Energy Policy and Conservation Act to the required content of the SPR Distribution Plan is section 154(e)(12), which states that the Distribution Plan shall set forth "the method of drawdown and distribution of the Reserve." Existing law does not require an enumeration, in the Distribution Plan, of legal authorities which may be relied upon in the course of SPR drawdown and distribution. Therefore, an omission of reference to a particular statute does not render the statute inapplicable to drawdown and distribution. Of course, all available legal authorities must be utilized in a manner that is harmonious with the provisions of the effective Distribution Plan and with the purposes and limitations pertaining to those authorities.

Question: When asked how DOE proposes to make any SPR oil available to meet "hardship" or "exceptional" cases, the Department has indicated that the SPR Distribution Plan does not permit the direct sale of SPR oil unless competitive sales also take place during the month.

The Department also has indicated that in order to undertake direct sales with 10 percent of any months sales the Department must simultaneously make available by competitive sale the other 90 percent of any months sales whether or not needed to respond to the energy emergency.

Would you agree?

Answer: It is correct that the SPR Distribution Plan does not permit the direct sale of SPR oil unless competitive sales also take place during the month. However, in order to draw down the SPR, the President must make a finding of a severe energy supply interruption or of a need to fulfill U.S. obligations under the Agreement on an International Energy Program, whose sharing system is triggered by an emergency. Whatever amount is drawn down will be needed to respond to the emergency. The situation in which there is a local hardship case without a severe widespread shortage would be handled through the marketplace, not through drawing down the SPR.

Question: This would suggest that the SPR is effectively not available to meet "hardships" or even IEA fair sharing obligations. Would you comment?

Answer: We do not agree. The SPR Distribution Plan gives the Secretary of Energy discretion to sell at competitive prices up to 10 percent of the volumes drawn down in any calendar month in such manner as he finds necessary in order to meet hardship situations. Directed sales could be made to U.S. oil companies to replace oil diverted to other countries.

Question: When asked how the SPR Drawdown Plan would be responsive to the needs of Defense, IEA partners, and other critical economic sectors, the Department responded:

"The SPR Distribution Plan permits up to 10 percent of the oil drawn down from the SPR to be directed to meet critical requirements, including, for example, defense needs, U.S. company fulfillment of International Energy Program obligations, or agriculture. In this sense, agriculture is treated equally."

In this sense, agriculture and Defense and IEA Program obligations must be satisfied from the 10 percent of any months sales set aside for directed sales. Is this correct?

Answer: No. The SPR "Drawdown" Plan has eliminated the restriction on who can purchase SPR oil. Therefore, agriculture, Defense and IEA participating companies could all bid on SPR oil and obtain critical supplies.

Question: The DOE has indicated that "Some initial analytical work has been done on the benefits of pre-crisis sales of rights to SPR oil, and further work on alternate types of forward sales (e.g., options, futures, competitive bid/forward delivery) is currently being done under contract to DOE by Harvard University. What is the schedule of this effort?

Answer: It is expected that the Harvard work on this subject will be completed by September 30, 1983.

Question: What is your statutory authority for this proposal? Could any of these possibilities be implemented under current authority? Under the current Drawdown Plan?

Answer: Whether any particular system of advance contracting with respect to SPR oil sales is authorized by law, or within the scope of the currently effective SPR Distribution Plan, will depend upon the specific details of that system, and cannot be answered in the abstract. Some such methods may be permissible under current legal authorities, while other methods may not be. For example, in anticipation of a possible Presidential drawdown finding under section 161(d) of the Energy Policy and Conservation Act (EPCA), we believe it would be consistent with governing law and with the new Distribution Plan, to proceed to issue a notice of sale of SPR oil, conduct a price competitive sale, and award contingent sales contracts, which, however, would not become effective unless and until the President decided to draw down the SPR. And we think that authority exists under the EPCA to contract for forward sales of SPR oil, following a Presidential decision to draw down and distribute the SPR, if policy or programmatic reasons suggest the desirability of doing so. However, as noted in answer to a previous question, a SPR oil sales system involving the commitments to sell and deliver SPR oil at a time certain, even though no drawdown was then authorized under section 161, clearly is not permitted by existing law; neither is it within the scope of the SPR Distribution Plan. Other possible methods of pre-drawdown SPR contracting would need to be evaluated on the merits of the particular proposals.

Question: Would you provide, for the record, a legal analysis to support your conclusion that you already have sufficient authority?

Answer: As explained above, whether DOE's authority is adequate necessarily depends upon the particulars of a specific proposal for advance contracting.

IEA Emergency Sharing System

Question: You state that during 1984 support and analysis of IEA activities will include development of procedures to facilitate U.S. Company participation in the Emergency Sharing System of the IEA.

But in the Department's answer three weeks ago to questions for the record it was stated that "no decisions have been made as to whether fair sharing is needed or how such a program would be implemented." Has that decision now been made?

Answer: No. The Department has not as yet completed the fair sharing study.

Question: Does your testimony today mean that that decision is unlikely to be made for another year?

Answer: No. We hope shortly to resolve this issue. At present, we are participating in the IEA's Fourth Allocation System Test and will review the necessity of fair sharing in the context of the Test.

Question: You are currently undertaking the AST-4 Test. It has been reported to Committee staff that some oil companies are unlikely to participate in the Test unless it includes "fair sharing." Is this correct?

Answer: No. All U.S. oil companies that are signatories to the Voluntary Agreement are participating in AST-4. In addition, we have asked

other U.S. oil companies to participate in the Test, and a number of them have, at least to some extent.

Question: Do you plan to include "fair-sharing" in the AST-4 test?

Answer: DOE has identified a number of "fair-sharing" options for use in the test should the need arise.

Object Class Data

Question: Please provide for the record a summary of requirements by object class for each of Emergency Preparedness' budget line items. Copies of similar information provided by the U.S. Geological Survey for you to use as examples of what is needed is being provided. Likewise, please provide for the record line item information concerning program, financing and personnel. Again, examples will be provided.

Answer: The requested information is provided on the following tables:

DEPARTMENT OF ENERGY
EMERGENCY PREPAREDNESS 1/
EMERGENCY PREPAREDNESS AND ENERGY REGULATION
Program and Financing (in thousands of dollars)

		FY 1982 Actual 2/	FY 1983 Estimate	FY 1984 Estimate
Program by activities:				
1.	Energy Emergencies	7,760	6,852	5,230
2.	Gasoline Rationing	137	-	-
10.00	Total obligations	7,897	6,852	5,230
Financing:				
17.00	Recovery of prior year obligations	-763	-101	-
21.40	Unobligated balance available, start of year	-6,035	-4,913	-1,650
23.40	Unobligated balance transferred to other accounts	3,000	1,877	-
24.40	Unobligated balance available, end of year	4,913	1,650	1,650
25.00	Unobligated balance lapsing	1,033	-	-
	Budget authority	10,045	5,365	5,230
Budget authority:				
40.00	Appropriation	10,045	5,190 3/	5,230
44.20	Supplemental for civilian pay raise	-	175	-
Relation of obligations to outlays:				
71.00	Obligations incurred, net	7,897	6,852	5,230
72.40	Obligated balance, start of year:	7,753	5,918	2,977
74.40	Obligated balance, end of year	-5,918	-2,977	-1,423
77.00	Adjustments in expired accounts	-384	-	-
78.00	Adjustments in unexpired accounts	-763	-	-
90.00	Outlays, excluding pay raise supplementals	8,585	9,623	6,779
91.20	Outlays from civilian pay raise supplemental	-	170	5

1/ Includes funds appropriated in the Departmental Administration, Energy Conservation and Atomic Energy Defense Activities appropriations.

2/ In many cases, actual data is not available to the level of detail requested; estimates have been made when necessary.

3/ Excludes $250,000 for permitting of international transmission facilities. This activity has been transferred to the Economic Regulatory Administration.

DEPARTMENT OF ENERGY
EMERGENCY PREPAREDNESS
EMERGENCY PREPAREDNESS AND ENERGY REGULATION
OBJECT CLASSIFICATION (in thousands of dollars)

		1982 Actual	1983 Estimate	1984 Estimate
Personnel compensation:				
11.1	Permanent positions	4,396	2,975	2,975
11.3	Positions other than permanent	68	34	34
11.5	Other personnel compensation	20	25	25
	Total personnel compensation	4,484	3,034	3,034
Personnel benefits:				
12.1	Civilian	436	332	332
13.0	Benefits for former personnel	137	-	-
21.0	Travel and transportation of persons	58	200	200
22.0	Transportation of things	15	31	31
23.0	Rent, communication and utilities	488	436	436
24.0	Printing and reproduction	-	35	35
25.0	Other services	1,383	2,729	1,107
26.0	Supplies and materials	46	55	55
31.0	Equipment	850	-	-
99.0	Total obligations	7,897	6,852	5,230

PERSONNEL SUMMARY

Total number of Full-time permanent positions	83	70	70
Total compensable workyears:			
Full-time equivalent employment	104	72	62
Full-time equivalent of overtime and holiday hours	.2	1	1
Average ES salary	$57,439	$56,181	$58,500
Average GS grade	12.89	12.89	12.89
Average GS salary	$39,998	$41,598	$44,776

DEPARTMENT OF ENERGY
EMERGENCY PREPAREDNESS

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Emergency Preparedness and Energy Regulation

		FY 1984 Base		FY 1984 Estimate		Inc. (+) or Dec. (-)	
		FTE	Amount	FTE	Amount	FTE	Amount
Direct Obligations:							
11.0	Personnel Compensation:						
11.1	Full-time permanent	---	2,975	---	2,975	---	---
11.3	Other than full-time permanent	---	34	---	34	---	---
11.5	Other personnel compensation	---	25	---	25	---	---
	Total personnel compensation	71	3,034	72	3,034	+1	---
12.1	Personnel benefits		332		332		---
13.0	Benefits for former personnel		---		---		---
21.0	Travel & transportation of personnel		200		200		---
22.0	Transportation of things		31		31		---
23.0	Rents, communications and utilities		436		436		---
24.0	Printing and reproduction		35		35		---
25.0	Other Services		2,729		1,107		-1,622
26.0	Supplies & materials		55		55		---
31.0	Equipment						
	Total requirements		6,852		5,230		-1,622

DRAWING DOWN THE STRATEGIC PETROLEUM RESERVE: THE CASE FOR SELLING FUTURES CONTRACTS

I. Introduction

That the oil shocks of the 1970s contributed to a host of economic woes faced by the United States and its OECD partners is by now well known. Several studies have pointed out that rapid and discontinuous changes in the price of oil, a major input to the economy's production process, can create problems of a special nature (see, for example, Eckstein [1979], Hubbard and Fry [1982], and Mork and Hall [1980]). Perhaps less well known is the fact that the price increase caused by the supply disruption is typically heightened by the role of private crude oil inventories (see Danielson and Selby [1980] and Verleger [1982]). Driven by uncertainty over future supplies and the expectation of profits from still higher prices in the future, private inventory accumulation at the onset of the disruption augments world oil demand, putting further upward pressure on oil prices.

Many policy responses have been put forth to combat the problems of the price spike attendant to a supply disruption. Tariffs and drawing-down the Strategic Petroleum Reserve (SPR) are two of the most prominent. The former discourages oil consumption directly by raising the price faced by consumers, while the latter increases the available supply of oil in the world market. Both would reduce the effective demand for OPEC oil, exerting downward pressure on oil prices. Neither of these, however, addresses the issue of private inventory build-up during the disruption.

To the extent that private inventory accumulation has contributed to the great price increases during disruptions, it is desirable to obtain policy instruments which could manipulate private sector stockpiling. In this paper, we analyze one such instrument, namely, the sale of <u>futures contracts</u> in SPR oil. Using a simple, analytical model, we show in Section II how the existence of SPR futures contracts could dampen private inventory demand by guaranteeing future supplies. In addition, futures market sales are compared with direct, spot market sales and conditions under which the former is more effective in blunting the price increase are derived. In Section III, we take the first steps towards quantifying our model by examining a special and empirically tractable case of the link between demand pressures and world oil prices.

This, in turn, enables us to simulate a disruption in the world oil market in Section IV, and compare the effects of futures and spot market sales of SPR oil during the disruption. Finally, in Section V, we summarize the salient points and consider the implications of our results for policy.

II. Why Futures and Not Spot Market Sales of the SPR?

To make the case for futures market sales of SPR oil, it is important to examine first the rationale behind the private inventory behavior during a disruption. Economic optimization suggests that the speculative component of stocks be built when expected future prices are high relative to today's price, and drawn down when expected future prices are low. Since rising future prices can be identified with "disrupted" markets, the observed accumulation of private inventories is hardly surprising.

However, because the social cost of imported oil is not taken into account by firms, unregulated private inventory behavior is likely to be socially suboptimal. When the fact that, during a disruption, the spot market price acts as a trigger for various crisis-level activities is taken into account, the case for government intervention to keep the spot price down becomes all the more compelling.

The link between expected future prices and speculative hoarding mentioned earlier provides an opportunity for policy intervention if the government can manipulate price expectations. This is where the SPR can play a role. The announcement of an SPR drawdown strategy for the future lowers expected future profits from speculation. This, in turn, reduces inventory demand and spot prices today. Of course, the success of this intervention depends on how credible the announced SPR drawdown strategy is. By selling futures contracts, the government can guarantee that a specified amount of SPR oil will be available at a certain time in the future. Thus, instead of its traditional risk-sharing role, the futures contract here plays the role of a credible guarantor of the government's SPR drawdown policy.

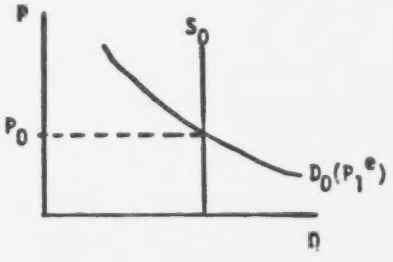
Now, the government can also lower the spot market price by selling SPR oil in the spot market. However, with futures market sales, the government is depressing the spot prices without releasing any oil. In addition, when this oil is released -- that is, when the futures contract becomes due -- the spot price in that period is also lowered, due to the presence of SPR oil on the market.

Under a regime of futures SPR sales, therefore, the trajectory of spot prices, will at the very least, be different from that under spot sales of the reserve. To make the case for futures contracts, though, we must show that they result in a sequence of spot prices which is in some sense preferable to the sequence generated by spot sales. Using a two-period model, we will show how much of the gains in spot-price reduction in the first period are achieved by futures sales. Moreover, the spot price in the second period is unambiguously lower under a futures contracts regime. Finally, as demonstrated in Section IV, the peak spot price during a year long interruption is lower when SPR futures are sold than when the oil is released onto the spot market.

Assume that spot market demand for oil depends not just on the spot price of oil, P_0, but also on the expected price one period into the future. Thus the inverse demand curve may be written P_1^e.

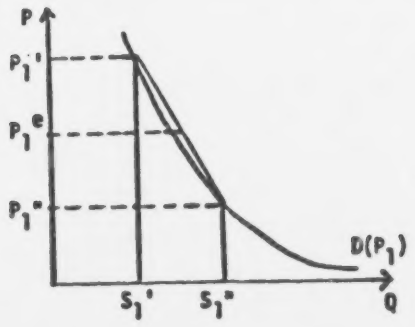
$$D = D(P_0, P_1^e), \; D_1 < 0, \; D_2 > 0.$$

Assume further that supply in the spot market is inelastic. The market-clearing spot price of oil therefore is dependent on the expected future price, P_1^e:



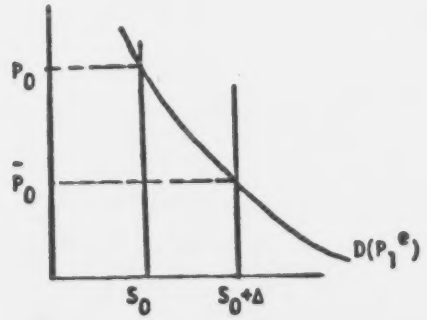
How are expectations of future prices formed? We assume that all agents have access to the same information and hence share common expectations of future events and their probabilities. Then, the expected future price is simply the mathematical expectation of the distribution of spot prices one period into the future. If we assume the demand curve is the same in both periods, then this distribution of spot prices is determined by the (inelastic) supply curves in the future period. For example, if supply will be S_1' or S_1'' with equal probability, then

$P_1^e = \frac{1}{2}(P_1' + P_1'')$

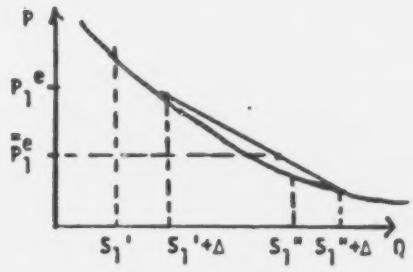


Note that, with a convex demand curve, P_1^e is higher than the price which would prevail if $\frac{1}{2}(S_1' + S_1'')$ is expected to occur with certainty. Thus, the uncertainty surrounding future supply has an upward effect on the expected price independently of the magnitude of that supply.

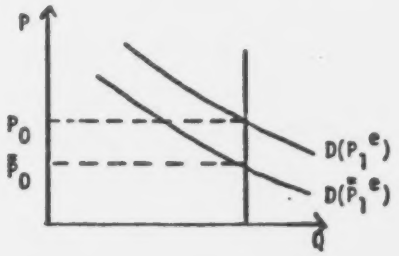
We are now in a position to examine the differential impacts of spot and futures market sales of the SPR. First, we consider the impact on the spot price in period 0. If the government sells an amount Δ in the spot market, the direct effect is an increase in supply to $S_0+\Delta$. This lowers the spot market price. The sale may affect future price expectations to the extent that agents expect some of the SPR oil to be re-sold in the next period. However, since the oil was bought by private firms, there is still uncertainty about how much of the Δ barrels will be sold and, in particular, Δ represents the upper-bound on the additional amount available in the future period. As a first approximation, we assume that the distribution of future supplies (and hence prices) is unaffected by the spot sales. The resulting spot market price, $\bar{P}_0$, therefore, is depicted as follows:



We can compare this now with the sale of Δ barrels worth of crude oil futures, for delivery one period from now. In this case, the entire distribution of future supplies is translated by the amount Δ, unambiguously lowering the expected price (and leaving the variance unchanged).



The lower expected price $\bar{P}_1^e$, in turn, will shift the spot market demand curve down, resulting in a spot market price $\bar{P}_0$ which is lower than P_0:



Thus, the benefits of a futures over a spot market sale depends on how the combined effects of a translation by Δ of the distribution of future supplies on the expected price and the attendant shift in spot demand stack up against the direct effect of an increase in Δ of spot market supply.

If we relax our assumption that spot market sales of the SPR leave the expected future price unaffected, then the spot price $\bar{P}_0$ will be slightly lower. However, the expected future price under SPR spot sales, $\bar{P}_1^e$, will always be higher than $\bar{\bar{P}}_1^e$, the expected future price under futures sales. This is so for two reasons. First, the mean of the distribution of future supplies is greater under a futures regime than under spot sales, since the former shifts the mean by Δ whereas the latter shifts the mean by the expected fraction of Δ which will be stored and sold in the next period. Second, the sale of SPR oil in the spot market increases the variance of

future prices whereas a futures contract will leave this variance unaffected. Quite simply, since private firms are buying the SPR oil in the spot market, there is uncertainty about when, and how much, of this oil will be resold in the next period. By contrast, a futures sale will guarantee that an amount Δ will be sold in the next period. As we pointed out earlier, owing to the (plausibly) convex shape of the demand curve, this increased variance has the effect of increasing the expected future price when compared with a distribution with equal mean but lower price.

So far, we have contrasted futures and spot market sales of the SPR in terms of their effects on P_0, the spot price in period 0.. What about their effects on P_1, the period 1 (realized) spot price? Here, the results are unambiguous. If Δ barrels of crude oil futures become due in period 1, then period 1 supply is effectively increased by Δ. On the other hand, if Δ barrels were sold in the period 0 spot market, any amount up to Δ may be resold in period 1. Ceteris paribus, the period 1 spot price under a futures sales of the SPR is a lower bound on the spot price under spot sales of the reserve.

Another way of looking at the preceding analysis is that there is an asymmetry between spot and future sales of the SPR. By selling oil in the spot market, the government is lowering the spot price, but conveying little or no information about future availability of oil. By selling futures contracts, the government is lowering the mean while keeping the variance unchanged of future supplies of oil, in addition to lowering the spot price when the contracts become due. The net result is that the sale of SPR futures achieves a large part of the price reductions attributed to spot SPR sales in the early stages of a disruption, and achieves greater reductions in price in the later stages. The exact magnitude of these benefits will be presented in Section IV.

Before proceeding to the empirical corroboration of our results, however, we should point out that drawing down the SPR by selling futures contracts has several other advantages in addition to a more favorable spot price trajectory.

First, the sale of SPR futures permits the government to achieve significant benefits, in terms of a reduced spot price, before releasing a drop of oil from the strategic reserve. This is significant because, as many

authors have stressed, delays in decision-making can be extremely costly during interruptions. To the extent that the decision to sell futures contracts is easier to take than the decision to draw down the SPR physically, the futures option buys time for the government.

Second, even when the contracts come due, the government may be able to avoid drawing oil from the reserve. If the interruption is over before the due date, the contracts would have been priced higher than the now normal spot market price. The government can meet its contractual obligation in this case by buying oil in the spot market and giving it to the holder of the futures contract. Alternatively, the government could just buy back the futures contracts. Even if the interruption is not over when the contracts mature, the government can purchase oil in the spot market to meet its obligations. Of course, this will lose the price-reducing benefits of the futures sales described earlier. However, it is worth noting that if for reasons of national security say, the government is reluctant to withdraw SPR oil, it need not do so under a regime of futures contracts.

Before stating the third advantage of futures sales of SPR oil, we show that the sale of SPR futures would yield an expected revenue loss to the government. Inasmuch as some speculative inventory accumulation occurs, the expected future price P_1^e cannot exceed, in present value, the current spot price, P_0 (neglecting storage costs):

$$P_0 < \frac{P_1^e}{1+r}$$

where r is the market discount rate. For there to be a market for futures, the price of a futures contract, f_0, cannot exceed the spot price (otherwise agents would buy oil in the spot market and store it themselves):

$$f_0 < P_0$$

Combining these two inequalities leads to the conclusion that f_0 is less than the present value of the expected future price, or that the seller of futures makes an expected loss in revenues.

The point to keep in mind, however, is that P_1^e represents an expectation over several events, including the possibility that the interruption will

end before the market opens in period 1. If the latter occurs, the actual spot price will be low from the softer market and the government will have made a revenue gain. The third advantage of SPR futures sales, therefore, is that, while expected revenues are negative, the actual gains and losses occur in a politically attractive direction: the government makes money if the disruption ends quickly, and loses money if the disruption is prolonged.

Having established the qualitative nature of the benefits from sales of SPR futures, we turn now to estimating quantitatively the most important of those benefits, namely the lowered spot price trajectory during an interruption.

III. Empirical Analysis

In this section, we present the ingredients of a model of the world oil market which will be used to test alternative SPR drawdown strategies.

As with most economic models, we begin with the notion that spot prices are determined by the forces of supply and demand in the market. Since we wish to simulate market behavior during "normal" and "disrupted" times, we assume that the supply price of OPEC oil depends in part on the extent to which actual oil production approaches maximum sustainable production (capacity production).[1] Hence we have:

$$(1)\quad PSPOT_t = \psi/PSPOT_{t-1} + \beta f\left(\frac{OUTPUT_t}{CAPACITY_t}\right), \qquad f' > 0, \text{ where}$$

PSPOT represents the spot price, OUTPUT represents actual OPEC oil production, and CAPACITY represents capacity OPEC production. In "normal" times, then, spot prices rise when production is increased toward capacity (where such an increase is effected to meet the increased demand, under the assumption that OPEC is a residual supplier -- the supplier of the marginal barrel on the world oil market).

But what about a <u>disrupted</u> market? For the sake of simplicity, we could divide total OPEC production into that which is produced by nondisrupted members (OUTPUT, as before) and that which is produced by disrupted members (DISRUP). From (1), it is easy to see why spot prices rise during a disruption. The capacity production (CAPACITY) falls, since it is reduced by the capacity of the disrupted producer(s). The output of the remaining producers,

OUTPUT, should increase to take advantage of the higher oil prices. The resulting increase in the capacity utilization ratio raises the spot price.

Given the assumption that OPEC is a residual supplier of oil, we can use the fact that at any time the total quantity of oil supplied must equal the quantity demanded to solve for OUTPUT in terms of, among other things, demand factors. Suppose we make the following simple decomposition of the (free) world oil market:

Free World Oil Demand and Supply

Demand =	Supply =
USCON (U.S. oil consumption demand)	OUTPUT (production by nondisrupted OPEC members)
+ NETCON (oil consumption demand in the rest of the free world)	+ DISRUP (production by disrupted OPEC members)
+ USSPR (U.S. oil demand for the Strategic Petroleum Reserve)	+ USOIL (U.S. oil production)
+ USPSTCH (U.S. private oil inventory demand)	+ NONUSOPEC (oil production in the free world outside of OPEN and the U.S.)
+ FSTCH (inventory demand in the rest of the free world)	

Thus,

(2) USCON + NETCON + USSPR + USPSTCH + FSTCH =
OUTPUT + DISRUP + USOIL + NONUSOPEC.

We can rearrange (2) to get:

(3) OUTPUT = (USCON + NETCON) - (USSPR + USPSTCH + FSTCH)
- (DISRUP + USOIL + NONUSOPEC).

So production of the nondisrupted OPEC producers is just world consumption demand plus world inventory demand less production from other producers. Substituting (3) back into (1) yields:

$$(4)\quad PSPOT_t = \psi PSPOT_{t-1} + \beta f\left(\frac{USCON_t+NETCON_t)+(USSPR_t+USPSTCH_t+FSTCH_t)-(DISRUP_t+USOIL_t+NONUSOPEC_t)}{CAPACITY_t}\right).$$

To complete the analysis, we need to specify the demand relationships. Let:

(5) $USCON = h(p_{us}, y_{us}(p_{us}), DMY)$ and

(6) $NETCON = j(P_{nus}, y_{nus}(p_{nus}), DMY)$, where:

p_{us} = price of a marginal barrel of oil in the U.S.;
y_{us} = U.S. real income;
p_{nus} = price of a marginal barrel of oil outside the U.S.; and
y_{nus} = real income in the rest of the free world.[2]
DMY = seasonal factors

IV. Analyzing the Impact of SPR Behavior on the World Oil Market

In the simplest possible case, we consider world oil demand as essentially a scalar multiple of U.S. oil demand. We take FSTCH, DISRUP, USSPR, NONUSOPEC, and USOIL as exogenous. Oil consumption demand outside the U.S. (i.e. NETCON) is γUSCON. For ease of exposition, U.S. work-in-process inventory is a fixed fraction of consumption, say ωUSCON. Speculative inventory demand in the U.S. is a function k of the mean and variance of the one-period expected profit from holding stocks, namely

(7) $k = k(\mu, \sigma^2)$

where

(8) $\mu = {}_t PSPOT^e_{t+1} - (1 + r_t + \psi)PSPOT_t$

and σ^2 is the variance of the distribution of expected returns.[3]

We can rewrite (4) as:

$$(9)\quad PSPOT_t = \psi PSPOT_{t-1} + \beta f\left(\frac{(1+\omega+\gamma)USCON_t + USSPR_t + k(\mu_t, \sigma_t^2) + FSTCH_t - (DISRUP_t + USOIL_t + NONUSOPEC_t)}{CAPACITY_t}\right)$$

To analyze the effect on the spot price of a drawdown of U.S. strategic stocks, we can totally differentiate (9) to obtain:

$$(10)\quad dPSPOT_t = \frac{\beta f'}{CAPACITY_t}\left((1+\omega+\gamma)\left(\frac{\partial USCON}{\partial p_{us}}\,dp_{us} + \frac{\partial VSCON}{\partial y_{us}}\,dy_{us}\right) + dUSSPR_t\right.$$

$$\left. + k\mu(dPSPOT^e_{t+1} - (1+r_t+c_t)dPSPOT_t) + k\sigma^2\right).$$

The marginal acquisition cost of a barrel of oil in the U.S. differs from the spot market price of oil because of various market rigidities (including long-term contracts). We can think of the market-clearing U.S. price (in the absence of any government intervention in the form of tariffs or oil price controls) as adjusting to the spot price with a lag, i.e.,

$$(11)\quad p_{us,t} = a_0 + a_1 p_{us,t-1} + a_2\,(PSPOT_t - p_{us,t-1}),\ \text{so that}$$

$$(12)\quad dp_{us,t} = a_2 dPSPOT_t,\ \text{and (10) becomes:}$$

$$(13)\quad dPSPOT_t\left(\frac{1-\beta f'}{CAPACITY_t}\,(a_2(1+\omega+\gamma)\,\frac{\partial USCON}{\partial p_{us}} - k\mu(1+r_t+c_t)\right)$$

$$= \frac{1-\beta f'}{CAPACITY_t}\left((1+\omega+\gamma)\,\frac{\partial USCON}{\partial p_{us}}\,dy_{us,t} + dUSSPR_t + k\mu dPSPOT^e_{t+1} + k\sigma d\sigma^2\right).$$

If the effect on oil prices induced by the change in strategic stock accumulation has only a negligible effect on real income, then (13) becomes:

$$(14)\quad dPSPOT_t\left(\frac{\beta 1 - f'}{CAPACITY_t}\,(a_2(1+\omega+\gamma)\,\frac{\partial USCON}{\partial p_{us}} - k\mu\,(1+r+c)\right)$$

$$= \frac{\beta 1 - f'}{CAPACITY_t}\left(dUSSPR_t + k\mu dPSPOT^e_{t+1} + k\sigma^2 d\sigma^2\right),\ \text{or,}$$

$$(15)\quad dPSPOT_t = \sum_{i=0}^{\infty}\left(\frac{k_\mu Q_t}{D_t}\right)^i\left(\frac{Q_{t+1}}{D_{t+1}}\right)dUSSPR_{t+1}$$

$$+ \sum_{i=0}^{\infty}\left(\frac{k_\sigma{}^2 Q_t}{D_t}\right)^i\left(\frac{Q_{t+1}}{D_{t+1}}\right)d\sigma^2_{t+1},\ \text{where}$$

$$(16)\quad Q_{t+1} = \frac{\beta f'}{CAPACITY_{t+1}},\ \text{the spot price response to a required change in OPEC output, and}$$

$$(17)\quad D_{t+1} = 1 - \frac{\beta f'}{CAPACITY_{t+1}}\,(a_2(1+\omega+\gamma)\,\frac{\partial USCON}{\partial p_{us}} - k\mu(1+r+c)),$$

the feedback, or general equilibrium, response of spot prices to induced changes in demand. The greater is the OPEC price response or the response of speculative inventory demand to expected profits, the larger is the effect of the SPR change on spot prices. The greater is the general equilibrium price response, the smaller will be the ultimate effect on spot prices on changes in SPR accumulation.

Implications for Drawdown Strategies

We are now in a position to examine the relative effectiveness of direct drawdowns of the SPR for spot market sales and guaranteed drawdowns next period (as per a futures market). Abstracting from effects on the variance of the distribution of expected future prices, the change in the spot price for a given drawdown today from the SPR is:

$$(18)\quad \frac{dPSPOT_t}{d(-USSPR_t)} = \frac{-Q_t}{D_t} < 0.$$

Hence a contemporaneous drawdown of SPR oil will unambiguously reduce the spot price. The magnitude of the reduction depends on the two general equilibrium responses discussed earlier.

The effect on today's spot price of a drawdown next period announced today is:

$$(19)\quad \left.\frac{dPSPOT_t}{d(-USSPR_{t+1})}\right|_t = \frac{k_\mu Q_t}{D_t}\ \frac{-Q_{t+1}}{D_{t+1}} < 0\ .$$

If CAPACITY remains the same over the two periods (i.e., if the disruption gets "no worse" or "no better"), (19) could be rewritten as

$$(20)\quad \left.\frac{dPSPOT_t}{d(-USSPR_{t+1})}\right|_t = -k_\mu\left(\frac{Q_t}{D_t}\right)^2.$$

Whether or not the guaranteed drawdown tomorrow decreases today's spot price more than a direct drawdown today is an empirical question. That is, it depends on the magnitudes of k_μ, Q_t, and D_t. For the delayed strategy to be absolutely superior in this respect, we require that:

$$(21)\quad k_\mu D_t > Q_t,$$

that is, that

(21') (Response of speculative demand to expected profits) x (General equilibrium response of demand to the price change induced by the change in stockpiling policy) > (Response of spot price to changes in oil demand).

This is intuitively appealing, as it says that the announced drawdown tomorrow will be more effective in lowering today's spot price if: (a) the profit elasticity of speculative demand is high; (b) demand is fairly elastic with respect to price changes; or (c) spot prices do not respond completely to changes in the capacity utilization ratio in the same period (i.e., they depend on their own past values). Note that these conditions are similar to those found in the more general case in Section II.

To consider these results in the context of a futures market, we must complicate the situation. First, even in examining a "guaranteed drawdown" strategy, it is important to analyze the effects of the timing of refilling the reserve and the consequent impact on world oil prices. Second, the crude oil futures market may also have an effect on the variance of the distribution of expected future prices. To calculate the net relative effectiveness of the two strategies requires some knowledge of these other influences. Any empirical resolution of the issue must treat the feedback effects in the world oil market, the extent to which inventory behavior is forward looking, and the timing of any refilling of reserve stocks.

To examine the impact of a futures market in SPR oil on private inventory behavior and to compare the effectiveness in reducing oil prices of spot market sales and futures market sales, we will use simulations of an econometric model of the U.S. economy and the world oil market. The oil market model is the one described in Section III. The core macroeconomic model is discussed in detail in Hubbard and Fry [1982]. We have modeled optimizing private inventory behavior for the United States just as we described earlier in this section; a complete description may be found in Hubbard [1982].

To measure the costs of an oil supply disruption, we first simulate an undisrupted market from the fourth quarter of 1981 (1981:4) to the fourth quarter of 1985 (1985:4). In this "control" scenario, combined Iranian and Iraqi production recovers throughout the interval. U.S. oil production is

projected to drop slowly throughout the interval, and production outside the U.S. and OPEC is expected to increase slowly and steadily.

The disruption which we simulate is one in which Saudi Arabian output is interrupted in calendar year 1983. Such a shock could arise from a blockade or an embargo. By 1984:1, Saudi Arabia ceases to be disrupted. The resulting price increase is not as large as not might guess because of increased production from nondisrupted OPEC members, the drop in consuming country demand (because of the higher prices), and the soft market at the onset of the disruption. Table 1 compares the paths of crude oil spot prices and U.S. private inventory accumulation across the two scenarios. The assumed accumulation pattern for the U.S. Strategic Petroleum Reserve is also given.

TABLE 1

Comparison of Control Scenario and Disruption Scenario

	Spot Price ($/BBL)		Private Stock Change (1000 B/D)		SPR Fill (1000 B/D)	
	C	D	C	D	C	D
1981:4	31.70	31.70	520	520	350	350
1982:1	31.70	31.70	-640	-640	200	200
2	31.60	31.60	700	700	200	200
3	31.20	31.20	490	490	200	200
4	31.20	31.20	-670	-670	200	200
1983:1	30.60	36.80	-1080	-910	200	0
2	29.60	45.30	390	700	200	0
3	28.30	54.70	570	960	200	0
4	27.10	59.50	-470	-130	200	0
1984:1	26.20	51.90	-1250	-1180	200	200
2	26.00	45.10	190	370	200	200
3	26.90	39.40	480	580	200	200
4	28.50	35.20	-360	-480	200	200
1985:1	30.40	35.10	-1070	-1250	200	200
2	32.10	31.50	270	80	200	200
3	34.50	29.20	560	360	200	200
4	37.40	28.00	-230	-520	200	200

Two results from Table 1 are particularly interesting. First, spot prices rise fairly sharply after the onset of the disruption in 1983:1. (By the end of the solution interval, spot prices are actually lower in the disrupted scenario because of the large reductions in oil demand. The marginal cost of a barrel of oil to U.S. refineries is still slightly higher by 1985:4

in the disrupted scenario.) Second, private inventory behavior responds quickly to expected future profits. Inventory accumulation in 1983:2 - 1983:4 in the disrupted scenario ran almost 100 percent higher than in the base case. Stocks are decumulated relative to the control by the end of the interval, so that an inventory level equilibrium is restored.

We can now test the effectiveness of two SPR drawdown policies: (1) a spot market sale of 1,000,000 barrels per day during 1983:2, and (2) a sale of futures contracts in 1983:2 to sell 1,000,000 barrels of oil per day in 1983:3. To refill the depleted 90,000,000 barrels, we assume in both cases that the SPR fill rate after the disruption (i.e., in 1984 and 1985) will be 300,000 barrels per day instead of 200,000 barrels per day. Table 2 compares the effect on spot prices and on U.S. private inventory accumulation for the two strategies.

TABLE 2

Comparison of Spot Market and Futures Market Oil Sales

	Spot Price ($/BBL)		U.S. Private Stock Change (1000 B/D)	
	Spot Sale	Futures Sale	Spot Sale	Futures Sale
1983:1	36.80	36.80	-910	-910
2	42.50	44.05	570	480
3	52.70	49.20	960	850
4	58.00	55.20	-120	-110
1984:1	51.10	49.30	-1180	-1170
2	44.70	43.30	370	350
3	39.00	38.10	570	570
4	35.40	34.60	-460	-480
1985:1	35.80	35.40	-1230	-1210
2	31.60	31.50	100	100
3	29.70	28.80	380	380
4	28.85	27.70	-570	-490

Comparing the results in Table 2 with those for the disrupted scenario (with no policy intervention) in Table 1, it is evident that both strategies influence spot prices and private inventory behavior. The size of the impacts is dependent upon the fact that policy changes are examined in a "U.S. only" analysis; that is, foreign inventory accumulation assumptions are held constant across scenarios.

Two interesting patterns surface. First, while the direct drawdown (spot market sale) of the SPR oil in 1983:2 lowered the spot price in that

quarter, the sale of futures contracts in SPR oil for delivery in 1983:3 also lowered the spot price immediately. Moreover, under the futures sale option, spot prices remained slightly lower for the rest of the interval.

Second, the drawdown strategies blunted some of the extra private stockpiling which occurred because of the higher expected prices during the disruption. Comparing the private stockpiling trajectories in Table 2 reveals that part of the spot market sale was added to private stocks. By guaranteeing supplies to the market for 1983:3, the futures sale reduced private inventory accumulation during the disruption by more than the spot market sale. By 1985, both paths returned to that prevailing in the absence of policy intervention.

V. Conclusion

In this paper, we have attempted to make a case for drawing down the strategic petroleum reserve by selling futures contracts. The motivation behind this idea is the observation that, during oil supply disruptions, private inventories act in a manner to exacerbate the sharp rise in oil prices. We showed how sales of SPR futures, unlike other policy responses, dampen inventory demand by affecting expectations of future oil prices. Using a two-period model we identified conditions under which the sale of an equivalent amount of SPR oil in the spot and in the futures market would lead to a more favorable sequence of spot prices in the latter case. Our empirical analysis, based on a model of the world oil market and the U.S. economy, showed that futures sales (i) achieved much of the price-reducing benefits in the early stages of a disruption and (ii) led to a lower price trajectory overall when compared with spot market sales. Finally, we identified other possible advantages of SPR futures, which center mainly around the fact that futures contracts postpone, and in some cases avoid, the physical withdrawal of oil from the reserve.

It goes without saying that our results represent a first-pass at analyzing a new policy option for responding to a disruption in the oil market. Both our theoretical and empirical analyses can be extended to incorporate more features of the real world. Yet, we suspect the qualitative nature of our results will remain unchanged: selling futures contracts in SPR oil can be at least as effective in dampening spot market prices as a direct sale in the spot market.

On the other side of modelling and estimating these benefits, there remains the question of how such a scheme may be implemented. As there currently exists only a very thin futures market in crude oil, and as attempts to set up such a market in the past have met with limited success, the procedure by which the government could sell SPR futures contracts deserves considerable attention. Although we believe sales of SPR futures during a disruption are feasible, and in many ways easier to effect than spot market sales, we also feel that the success of such a policy depends on the amount of thought given to its implementation before the interruption occurs.

FOOTNOTES

1 The background for such an approach is discussed in Hubbard and Fry [1982] and Nordhaus [1980].

2 Income depends on the price of oil in a complex way because of the effects of changing oil prices on the trade balance; because of the ways in which changes in inflation may alter the real economy; and because of the impact of changing oil prices on potential economic performance (aggregate supply). A more complete discussion of these roles and a macroeconomic model underlying them are given in Hubbard and Fry [1982]. A discussion of appropriate functional forms (i.e., in terms of specification and lag structure) for the demand equations is also presented in that paper.

3 r and c are the interest and physical carrying costs of inventories, respectively. (They are assumed to remain constant.) ${}_tPSPOT^e_{t+1}$ is today's expectation of next period's spot price.

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March 8, 1983

MEMORANDUM FOR The Secretary

FROM: General Counsel

SUBJECT: Minimum Required Rate of Fill of the Strategic Petroleum Reserve (SPR)

You requested our opinion in response to the following two questions from Senator Jackson, both of which are based on the assumption that in fiscal year 1983 "there are sufficient funds available from FY 1983 appropriations or a continuing resolution plus the carryovers from FY 1982 (over $2 billion) such that the Department of Energy (DOE) could afford an average fill rate in excess of 220,000 b/d in FY 1983":

> "1. Doesn't Sec. 160(c)(1)(D) of EPCA, as amended by EEPA, require an SPR fill rate at the highest practicable rate achievable, subject to the availability of appropriated funds, notwithstanding the President's finding transmitted on December 1, 1982?"
>
> "2. Is the minimum required fill rate necessarily 220,000 b/d in that situation?"

In our opinion, the minimum required fill rate for the SPR in fiscal year 1983 is the highest practicable rate which can be achieved utilizing all available appropriations, after allowing for a carry-forward into fiscal year 1984 of funds to sustain purchases for the first six months of fiscal year 1984, even if the resulting fiscal year 1983 rate exceeds 220,000 barrels per day (b/d). Therefore, we believe the first question should be answered positively and the second negatively.

These issues involve the complex interplay of three statutory provisions: §160(c)(1) of the Energy Policy and Conservation Act (EPCA), Pub. L. 94-163, 42 U.S.C. §6234(c)(1), which recently was added by the Energy Emergency Preparedness Act (EEPA), Pub. L. 97-229; §167(b) of the EPCA, 42 U.S.C. §6247(b), which was added by the Omnibus Budget Reconciliation Act, Pub. L. 97-35; and the SPR petroleum appropriation contained in the Department of the Interior and Related Agencies Appropriations Act for fiscal year 1983, Pub. L. 97-394. The key provision, EPCA §160(c)(1), is flawed, ambiguous, and consequently subject to differing interpretations. We offer what we believe is the most plausible interpretation of the intent of the Congress.

In the discussion which follows we first set out the essential historical background of the fill requirements for the SPR and the legislative history of the minimum fill provisions imposed by the EEPA, and then provide our analysis of the issues raised by Senator Jackson's questions.

Historical Background

In §154(c)(1) of the EPCA, 42 U.S.C. §6234(c)(1), enacted in December 1975, the Congress adopted a schedule for fill of the SPR which was to be included in the SPR Plan and to be followed, "to the maximum extent possible and except to the extent that any change in the storage schedule is justified pursuant to subsection (e)(6)...." Subsection (e)(6) provides that the SPR Plan is to contain, "a justification for any changes, with respect to volumes or dates, proposed in the storage schedule...." The schedule set out in §154(c)(1) is expressed in terms of the periods of time within which the Government is to store amounts of crude oil equal to specified percentages of the crude oil imported during a base period, which was the three consecutive months during the 24 months preceding enactment of the EPCA in which average monthly imports were the highest.

The Federal Energy Administration, a predecessor agency to DOE, calculated that §154(c)(1) required fill to be accomplished on the following schedule:

Date	Million Barrels (MMB)
June 22, 1977	50
Dec. 22, 1978	150
Dec. 22, 1980	325
Dec. 22, 1982	500

Because the initial 1977 target had proved impossible to meet, the original SPR Plan transmitted to Congress in February 1977 by the Carter Administration dropped that requirement; the other three statutorily derived fill targets were incorporated into the Plan without change.

In Amendment No. 1 to the SPR Plan, submitted to the Congress in May 1977, the Carter Administration accelerated the SPR Plan's fill schedule as follows:

Date	MMB
June 22, 1978	250
Dec. 22, 1980	500

And in Amendment No. 2, transmitted to the Congress one year later, the Carter Administration further amended the SPR Plan to provide for storage by the end of 1985 of the full one billion barrels of crude oil authorized by the EPCA; the amendment detailed plans for the storage of 750 MMB of this billion, and said that with respect to the last 250 MMB, decisions had not yet been made about the type of storage facilities to be used or the extent of industry involvement (i.e., whether to mandate industry storage).

The fill schedule contained in the SPR Plan has not been further amended. Of course, the §154(c)(1) schedule does not impose any specific fill requirement by fiscal or calendar year.

In June 1980 the Congress enacted the Energy Security Act, Pub. L. 96-294, which added to §160 of the EPCA a new subsection (c) directing the President to assure that SPR fill was increased to an average rate of at least 100,000 b/d in each fiscal year commencing with fiscal year 1981; it further added a new subsection (d) effectively compelling a shut-in of Naval Petroleum Reserve No. 1 at Elk Hills, California, if this fill rate was not achieved.

In December of 1981 the Congress added to the 1981 Department of the Interior and Related Agencies Appropriations Act, Pub. L. 96-514, a requirement that the President "seek to" undertake SPR fill activities "at a level sufficient to assure" that crude storage is increased at an average annual rate of at least 300,000 b/d "or a sustained average annual daily rate of fill which would fully utilize appropriated funds."

Congress reenacted essentially the same 300,000 b/d "seek to" requirement in August 1981 in the Omnibus Budget Reconciliation Act, as an amendment to EPCA §160(c), but omitting the reference to a sustained average "which would fully utilize appropriated funds." The 300,000 b/d "seek to" requirement was made applicable until 750 MMB were in storage.

The Omnibus Budget Reconciliation Act also created the EPCA's §167 off-budget account for SPR oil purchases. Section 167(b) of the EPCA provides:

> (b) Amounts in the [SPR Petroleum] Account may be obligated by the Secretary of Energy for the acquisition, transportation, and injection of petroleum products into the Strategic Petroleum Reserve, and the drawdown and delivery of petroleum products from the Reserve--

(1) in the case of fiscal year 1982, in an aggregate amount, not to exceed $3,900,000,000, as may be provided in advance in appropriation Acts;

(2) in the case of any fiscal year after fiscal year 1982, subject to section 660 of the Department of Energy Organization Act,*/ in such aggregate amounts as may be appropriated in advance in appropriation Acts; and

(3) in the case of any fiscal year, notwithstanding section 660 of the Department of Energy Organization Act, in an aggregate amount equal to the aggregate amount of the receipts to the United States from the sale of petroleum products in any drawdown and distribution of the Strategic Petroleum Reserve under section 161. Funds available to the Secretary of Energy for obligation under this subsection may remain available without fiscal year limitation.

On August 3, 1982, the EEPA was enacted. Among other things it superseded the Budget Reconciliation Act's 300,000 b/d "seek to" requirement by a new fill mandate. This was set forth as an amendment of §160(c) of the EPCA reading as follows:

(c)(1)(A) The President shall immediately undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities, to the extent funds are available pursuant to section 167(b)(2) and (b)(3), at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least the minimum required fill rate until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 500,000,000 barrels.

(B) Subject to subparagraph (C), the minimum required fill rate shall be 300,000 barrels per day for purposes of subparagraph (A), unless there is in effect a finding by the President in his discretion for good cause that compliance with such rate would not be in the national interest. Any finding by the President under this subparagraph takes effect on the date such finding is transmitted to the Congress and ceases to have effect at the end of the fiscal year in which such finding was made. Any such finding transmitted to the Congress shall include a statement of the facts upon which the finding is based. Any such finding shall not be subject to judicial review.

(C) The minimum required fill rate shall be 220,000 barrels per day for purposes of subparagraph (A) during the period in which any finding by the President under subparagraph (B) is in effect.

(D)(i) If funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C), the minimum required fill rate shall be the highest practicable fill rate achievable, subject to the availability of appropriated funds.

(ii) The Impoundment Control Act of 1974 (31 U.S.C. 1400 and following) shall apply to funds made available under section 167(b) and (e).

*/ Section 660 of the Department of Energy Organization Act provides that "[A]ppropriations to carry out the provisions of this Act shall be subject to annual authorization."

> (2) After the Strategic Petroleum Reserve reaches a level of 500,000,000 barrels, the President shall immediately seek to undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least 300,000 barrels per day until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 750,000,000 barrels.

Legislative History of the EEPA

The bill reported by the Senate Committee on Energy and Natural Resources and passed by the Senate, S. 2332, would have amended EPCA §160(c) to direct the President, subject to the availability of funding "pursuant to section 167(b)(2)" of the EPCA, to increase SPR fill at an average annual rate of at least 300,000 b/d until 500 MMB was in storage. Section 167(b)(2), quoted above, limits the obligation of funds from the off-budget SPR Petroleum Account "in the case of any fiscal year after fiscal year 1982" to "such aggregate amounts as may be appropriated in advance in appropriations acts." The "pursuant to section 167(b)(2)" language had not appeared in the bill considered by the Committee or in any proposed amendment thereto; it first appeared with publication of S. Rep. 97-393. In the floor debate, Committee Chairman McClure described the 300,000 b/d mandate simply as being "subject to available appropriations", without noting that the bill referred specifically only to appropriations available pursuant to §167(b)(2).*/

The bill reported by the House Committee on Energy and Commerce, H.R. 6337, in its proposed amendment to EPCA §160(c), required an average annual fill rate of at least 200,000 b/d (and a rate of 300,000 b/d when the President considered this "fiscally prudent"), until storage reached the 500 MMB level. No reference was made to available appropriations. The Committee Report took note of the fact that previous "seek to" language had not had the effect desired by Congress; the new "fiscally prudent" language was characterized as an attempt to set a "specific standard" as opposed to the former "general terms"; the "seek to" requirement was reaffirmed "as a goal", and as the "expressed goal and resolve of Congress that DOE achieve" the 300,000 b/d rate. H.R. Rep. 97-585 at 6-7. During House passage Subcommittee Chairman Sharp, floor leader for the bill, stated that the bill continues the requirement that the Administration "seek to" fill at 300,000 b/d. 128 Cong. Rec. H.3860 (June 23, 1982).

The bill reported by the conferees, which was enacted into law, is substantially different from both the Senate and House bills. The Conference Report advised as follows with respect to the fill rate:

> Section 4(a) amends section 160(c)(1) of EPCA to require the President to fill the SPR at an average annual rate of at least the minimum required fill rate until 500 million barrels are in storage. The minimum required fill rate will be determined in one of three ways.
>
> Subparagraph (B) establishes the minimum required fill rate of 300,000 barrels per day. Under this subparagraph, the President may make a finding that compliance with the 300,000 barrel

*/ Because §167(b)(2) refers only to fiscal years after fiscal year 1982, as distinguished from §167(b)(1), which refers only to fiscal year 1982, it may be argued that by this distinction the Congress intended that fill rates after fiscal year 1982 be calculated only on the basis of appropriations made for fiscal year 1983 and succeeding years, without regard for unexpended balances or advance-funded deliveries carried over from fiscal year 1982. We explain below why we believe this would not be a valid reading of §160(c).

per day rate would not be in the national interest for good cause. For instance, the President may find that:

(i) compliance with such rate significantly impairs the ability of the United States to respond to a severe energy supply interruption;

(ii) compliance significantly impairs the ability of the United States to meet its obligations under the international energy program; or

(iii) compliance is inappropriate due to economic conditions affecting the general welfare.

If he makes such a finding and transmits it to Congress, accompanied by a statement of the facts upon which the finding is based, the minimum required fill rate shall be 220,000 barrels per day, as required by subparagraph (C).

Subparagraph (D) establishes the minimum required fill rate that would be in effect where funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C). In such cases, the minimum required fill rate shall be the highest practicable fill rate achievable subject to the availability of appropriated funds.

Appropriation Acts will necessarily govern the availability of funds. The purpose of subparagraph (D) is to express the policy that the President shall fill the SPR at the highest practicable fill rate achievable subject to the availability of funds. (H.R. Rep. 97-663 at 12)

During House floor action on the Conference Report, Chairman Sharp described the bill as requiring that, after a Presidential finding not to fill at the 300,000 b/d level, the SPR be filled at a rate of at least 220,000 b/d "unless funds available through the appropriations process make it practicable to achieve a higher fill rate." 128 Cong. Rec. H.4921 (July 30, 1982).

The statement of Chairman McClure, inserted into the record by Senator Warner, said that after the Presidential finding, "the minimum required fill rate would be either 220,000 barrels per day, or, if funds are available to achieve a higher rate, the highest practicable fill rate achievable with available funds." Senator McClure's statement later reiterated this (as did Senator Warner in his own statement), adding, "Thus, appropriations acts will necessarily govern the availability of funds." 128 Cong. Rec. S. 9481, 9485, 9486 (July 30, 1982).

Senator Jackson, ranking Minority Member of the Senate Energy and Natural Resources Committee, had a somewhat more particularized understanding of what the bill's fill provisions meant. Referring to what he described as a new §160(c)(1)(D)(i) requirement to fill at the highest practicable rate "given available funds", he said:

The intent of the Congress on this point cannot be overemphasized. The use of the terms "If funds are available..." and "subject to the availability of appropriated funds" are intended in this provision to refer to any funds available to the SPR after fiscal year 1982, including fiscal year 1982 carryovers. This provision is the mechanism by which the Congress requires the President to spend any funds that are available to him in a given fiscal year to fill the SPR at the highest practicable average rate in that fiscal year.

* * * *

The mandate to fill at a minimum of 300,000 (or 220,000) barrels per day as the case may be, and the

mandate to fill at the highest practicable fill rate are intended to be regarded as program objectives for the strategic petroleum reserve program. The intention is that if the President has available the necessary funds to achieve a mandated fill rate, then he must comply with that mandate or seek and obtain a deferral or rescission of the available funds under section 1012 or 1013 of the Impoundment Control Act. The only exception is if the President obtains suspension of the mandates through section 160(e) of EPCA.*/

* * * *

The Presidential finding that reduces the mandated minimum fill rate from 300,000 barrels per day to 220,000 barrels per day is subordinate to the requirement to fill at the highest practicable rate. Even though the President makes such a finding, he is still required to fill at the highest practicable rate. This is not a contradiction because there is another provision in section 160(e) of EPCA in existing law which enables the President to seek a suspension of the requirements in section 160(c) including the requirement to fill the SPR at the highest practicable rate. In that case, the Congress must enact a two-House resolution approving the suspension of the requirement. If the President is not willing to afford Congress the opportunity for its review and disapproval, then the requirement to fill at the highest practicable rate remains.

Another important point to note is the meaning of the term "practicable" in section 160(a)(1)(D)(i). The intention here is that the term "practicable" means what we normally think that word means--feasible. Therefore, the SPR must be filled in a given fiscal year at the highest feasible rate averaged over that fiscal year given available funds from whatever source. (128 Cong. Rec. at S. 9488)

Presidential Finding

On December 1, 1982, the President, pursuant to EPCA §160(c)(1)(B) as amended by EEPA §4(a), transmitted to the Congress his finding that it would not be in the national interest to fill the SPR at the rate of 300,000 b/d during fiscal year 1983.

Discussion of Issues

Section 160(c)(1)(D) of the EPCA, as amended by the EEPA, provides that if available appropriations permit achievement of an average annual SPR fill rate higher than 220,000 b/d, the minimum required fill rate for that fiscal year shall be the highest practicable rate which can be achieved, utilizing those funds. In determining whether an average annual fill rate in excess of 220,000 b/d is achievable in fiscal year 1983, the basic question is what funds are "available" for this purpose. More precisely, did the Congress intend that in fiscal year 1983 only funds appropriated for that year were to be "available" for calculating the fill rate? Or did it intend that funds or funding authority carried over from fiscal year 1982 were to be included in the calculation? If so, what funds or funding authority carried over from fiscal year 1982 are to be included - only funds unobligated by DOE at the end of fiscal year 1982? Or, in addition, funds obligated by DOE by transfer to the SPR procurement in the Department of Defense but not yet placed in purchase contracts by the end of fiscal year 1982? Or, in addition, funds paid in advance in fiscal year 1982 for oil to be delivered in fiscal year 1983?

*/ This suspension provision applies if the President has found that compliance impairs U.S. ability to respond to a severe energy supply interruption or to meet U.S. obligations under the Agreement on an International Energy Program.

For the reasons to be set forth, it is our opinion that the Congress intended to be included in the calculation of the achievable fill rate in fiscal year 1983 all the funding authority that can practicably result in delivery of oil to the SPR in fiscal year 1983, except for funds to buy oil for delivery in the first six months of fiscal year 1984 at the lowest required rate (220,000 b/d).

In answering the question what funds are "available" for determining the fill rate in fiscal year 1983, we must look first to the words of the statute. Section 160(c)(1)(D) is one of four subparagraphs, the first of which, §160(c)(1)(A), authorizes and directs the President to fill the SPR "at an average annual rate of at least the minimum required fill rate" until 500,000,000 barrels of oil are stored in the SPR.*/ The subsequent three subparagraphs each define the "minimum required fill rate" under different circumstances. Subparagraph (B) says it is 300,000 b/d "for purposes of subparagraph (A)" in the absence of a Presidential finding that such a rate would not be in the national interest. Subparagraph (C) says it is 220,000 b/d "for purposes of subparagraph (A)" during any period such a Presidential finding is in effect. Subparagraph (D) says it is the "highest practicable fill rate achievable" if funds are available in any fiscal year after fiscal year 1982 to achieve a rate higher than 220,000 b/d.

However, subparagraph (D) does not contain the words "for purposes of subparagraph A" as subparagraphs (B) and (C) do, and we must ask whether by this omission the Congress intended a different interpretation to be given to (D) than to (B) or (C), for purposes of identifying what funds are available for determining the fill rate. That interpretation would be that the availability of funds under subparagraph (D) is not subject to whatever limitation on availability is imposed by subparagraphs (B) or (C) but rather is governed only by the more general limitation, stated in (D), of being "subject to the availability of appropriated funds." Subparagraph (A), which imposes the requirement to fill the SPR at the minimum required fill rate, does so only "to the extent funds are available pursuant to section 167(b)(2) and (b)(3)." As indicated above, §167(b)(2), in authorizing the off-budget SPR account, authorizes the Secretary of Energy to obligate funds for filling the SPR "in the case of any fiscal year after fiscal year 1982...in such aggregate amounts as may be appropriated in advance in appropriations Acts."**/

The use of the plural - "appropriations Acts" - at least strongly suggests that the Congress did not intend that in 1983 only the funds appropriated in the appropriations Act (singular) for fiscal year 1983 were to be available for calculating the fill rate for that year. Rather, it at least strongly suggests that as in fiscal years later than 1983, funds appropriated in advance in prior years' appropriations Acts, e.g., that for fiscal year 1982, were also to be available for this purpose. This view is supported by the fact that Congress made all funds under §167, including the $3.9 billion in the case of fiscal year 1982, available for obligation "without fiscal year limitation."

Thus, we believe that either way §160(c)(1)(D) is read - whether it is subject to funds available under §167(b)(2) or whether it is subject only to funds made available under any appropriation for this purpose - the result in practical terms is the same: in fiscal year 1983, the fill rate calculation is to include funds available from prior years' appropriations Acts, i.e., specifically the appropriations Act for fiscal year 1982.

The legislative history of EEPA's amendment of EPCA's §160(c) clearly indicates that the amendment was a compromise between a 200,000 b/d House of Representatives fill rate requirement and a 300,000 b/d

*/ As of March 7, 1983, 307,700,000 barrels have been stored in in the SPR.

**/ Section 167(b)(3) provides authority for restoring the SPR after a drawdown and is irrelevant to this discussion.

Senate requirement and further that the actual fill rate was to be determined in the appropriations process. The Chairmen of the relevant authorizing Committees of the House and Senate (quoted above at page 7) both emphasized, in explaining the Conference Report, that as stated in the Conference Report itself, "Appropriations Acts will necessarily govern the availability of funds." H.R. Rep. No. 97-663, 97th Cong. 2d Sess. 12 (1982) We find that in the appropriations process, both Houses of Congress acted on the assumption that funds available from fiscal year 1982 would be used in calculating the fill rate in fiscal year 1983, as well as funds appropriated just for that year. This is significant, for it reflects a contemporaneous construction of the statute by the same Congress - and many of the same Senators in particular - that enacted it.

The Department of the Interior and Related Agencies Appropriations Act for fiscal year 1983 provides:

> The aggregate amount that may be obligated under section 167 of the Energy Policy and Conservation Act (Public Law 94-163), as amended by the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), for the acquisition and transportation of petroleum, and for other necessary expenses is $2,074,060,000, in addition to authority provided for fiscal year 1982, to remain available until expended. (Emphasis added)

This language was proposed by the Administration and was adopted without change by both Houses of Congress. The phrase "in addition to authority provided for fiscal year 1982" was not inadvertent. Indeed, it was essential. If it had not been inserted, the amount that could be obligated under the remaining language would have been limited to $2,074,060,000. Any funds remaining unobligated from 1982 would thereby have become unavailable for obligation after 1982, even though they were originally appropriated to remain available until expended.

In reporting H.R. 7356, which became the fiscal year 1983 Interior Department appropriations act, the House Appropriations Committee indicated its belief that "a fill rate of at least 220,000 barrels per day is possible within the budget request because of lower than expected oil prices." H.R. Rep. 97-942 at 106. Clearly, there was no expectation that this could be accomplished exclusively with fiscal year 1983 appropriations, without using funds carried over from 1982.*/ And the Senate contemplated a fill rate entailing even greater reliance upon carry-over funding in 1983. In its Explanatory Statement of Recommendations (made in lieu of a report), the Senate Appropriations Committee noted that the SPR petroleum funds appropriated by H.R. 7356, when combined with funds carried over from fiscal year 1982, "would enable the President to achieve a rate of fill for the SPR in fiscal year 1983 that is significantly higher than 220,000 barrels per day"; it opined that the EEPA "establishes this 'achievable' fill rate as the required minimum fill rate." The Committee further stated that:

> In light of questions of national defense as well as the currently soft oil market and the requirements of section 160(c)(1)(D) of the Energy Policy and Conservation Act, the Committee cannot be satisfied to maintain the minimum fill of 220,000 barrels per day. Accordingly, the Department is directed to take the steps necessary to purchase additional petroleum in order to take advantage of favorable market conditions and to provide interim storage facilities, if necessary, for such additional purchases. (128 Cong. Rec. S. 14277, 14299 (December 9, 1982))

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* In fact, the appropriation for fiscal year 1983, $2,074,060,000, would not permit this fill rate, together with a continuation of it for six months in fiscal year 1983, as contemplated by the House Appropriations Committee, unless carryover funds from fiscal year 1982 were considered available for the calculation of the fill rate.

Nowhere in the appropriations process does one find even a hint that the SPR's fiscal year 1983 minimum required fill rate should be calculated in disregard of ongoing deliveries and actual cumulative funding levels, on the basis of some artificial formula.

The next question is precisely what funds from fiscal year 1982 are available for the calculation. At the end of fiscal year 1982 $2,403,000,000 of oil acquisition funds were uncosted, consisting of $307,000,000 unobligated by DOE and $2,096,000,000, which had been obligated either by transfer to the Department's SPR purchasing agent, the Defense Fuel Supply Center (DFSC), but not yet committed to contracts for delivery of oil or directly to oil supply contracts, such as DOE agreements with PEMEX, for oil to be delivered in fiscal year 1983. In our opinion, all these funds are "available" for making the fill rate calculation. Obviously, the fill rate of 220,000 b/d is calculated taking into account deliveries made in fiscal year 1983 even if funded in advance in fiscal year 1982. There is equally no reason to exclude funds remaining to be committed to contracts for delivery in fiscal year 1983, even though technically they are obligated by the Department of Energy when transferred to DFSC.*/ To consider only fiscal year funds remaining unobligated at the Department of Energy as available for the calculation of fill rate would be to create an artificial calculation, divorced from all reality, and nowhere hinted at in the legislative history.

Congress enacted the EEPA with knowledge that oil was being contracted for in one fiscal year for delivery in the next, and that all unexpended fiscal year 1982 appropriations would be carried over to fiscal year 1983; it assumed that those unexpended appropriations would be used. Congress passed the Interior Appropriations Act with the additional knowledge that much oil to be delivered in fiscal year 1983 had been paid for in 1982. By its appropriation the Congress reaffirmed its intention that the previously enacted appropriations be available for use in fiscal year 1983. The pledge of SPR funds to DFSC, while legally sufficient for their obligation, is merely an understanding between two government agencies, one step removed from the actual procurement and storage of oil. Congress was, of course, concerned about the procurement and storage of oil when it passed the EEPA and the Interior appropriations act.

To treat funds obligated by DOE to DFSC as though they were unavailable to achieve the Congressional intent of maximizing the SPR's fill rate simply would exhalt form (the niceties of the law governing obligation of funds between two agencies within the Executive branch) over substance (the Congressionally imposed requirement that appropriations be used to purchase and store oil). There is absolutely nothing in the legislative history of either law which lends any support to so artificial and unrealistic a calculation.

We believe that under the law, the minimum required fill rate for the SPR in fiscal year 1983 is the highest rate, up to a ceiling of 300,000 b/d, which it is practicable to achieve utilizing all available obligated or unobligated appropriations that can result in deliveries during 1983, but allowing, as we shall see, for purchases for delivery during the first six months of fiscal year 1984. This total amount will vary, of course, as oil prices fluctuate.

It remains to consider, however, what is or is not "practicable", within the sense of the law. The EPCA's §160(c)(1)(D)(i) requirement for SPR fill at "the highest practicable fill rate achievable" was adopted by the EEPA conferees, who provided little guidance as to its meaning. The statute therefore leaves it open to the President to make a reasonable judgment as to what the "highest practicable" fill rate is. In doing so he is not limited to considering how much

*/ This was acknowledged by the Comptroller General in ruling that funds so "obligated" do not lapse at the end of a fiscal year during a time when SPR appropriations were limited to one year. Comptroller General Letter Decision (B-193005), "Obligation of Funds for Purchase of Oil for Strategic Petroleum Reserve" (October 2, 1978).

oil DOE could "afford", as Senator Jackson's questions seem to assume. Had Congress intended this restriction, it could have imposed the fill requirement more straightforwardly without conditioning the fill rate upon its being "practicable" and "achievable." These modifiers suggest that Herculean and desperate measures to fill the SPR at any cost are not necessary, and that other programmatic requirements need not be ignored. The achievability of any theoretical "highest" fill rate must be considered in light of the facts that the new storage requirement was first established, for fiscal year 1983, three months after this fiscal year began, and that it may entail a substantial facilities and oil procurement effort.

Moreover, the President properly may take into account any programmatic requirements which are not compatible with maximizing SPR fill in a given fiscal year. These may include the accepted need to enter the ensuing fiscal year with sufficient remaining appropriations to fund SPR purchases for six months, as well as making short-term adjustments in the pace of oil acquisition so as to take advantage of crude oil market trends. Prior to the enactment of the EEPA the SPR program had established a practice of carrying forward into the following year funds for six months of oil procurement, to assure the continuity of leach/fill operations, fund long-term oil purchase contracts, and serve programmatic planning objectives. The Congress enacted the EEPA with knowledge of this practice.

In reporting H.R. 7356, which was enacted as the fiscal year 1983 Department of the Interior and Related Agencies Appropriations Act, the House Appropriations Committee indicated its belief that "a fill rate of at least 220,000 barrels per day is possible within the budget request because of lower than expected oil prices", and stated that at this rate:

> At the end of fiscal year 1983, there would be undelivered orders of 39,000,000 barrels, nearly enough to cover delivery for the first six months of fiscal year 1984. Because of the lead time required, the managers of the program believe it is important to have six months of fill on order. (H.R. Rep. 97-942 at 106) (Emphasis added)

Although the Senate favored a higher 1983 fill rate than did the House, the Senate never explicitly challenged the SPR program's practice of advance funding for six months of purchases, utilizing no-year appropriations. Like the House, the Senate accepted the President's budget proposal, which was premised upon a carry-forward into 1984 of funding for six months of oil purchases.

Indeed, this is a well established practice, serving valid programmatic objectives, of which Congress was aware when it enacted the EEPA. Yet neither the EEPA nor the 1983 Interior appropriations act altered the nature of the available funds or the advance funding practice. It is well established that when the Congress, having specific knowledge of an administrative interpretation by the department charged with responsibility for administering a statute, appropriates funds for the activities under that statute, it confirms the department's construction of the statute and ratifies its actions. See Brooks v. Dewar, 313 U.S. 354, 360-61 (1941); Isbrandtsen-Moller Co. v. United States, 300 U.S. 139, 146-47 (1937); 2A Sands, Sutherland on Statutory Construction §49.10 (4th ed. 1973). See also Udall v. Tallman, 380 U.S. 1, 17-18 (1965); Air Line Stewards, Etc., Ass'n v. Northwest Airlines, Inc., 267 F.2d 170, 174 (8th Cir. 1959).

Concluding that a six month carry-forward of appropriations in fiscal year 1984 is authorized, it is necessary to determine what rate of fill during the first six months of 1984 should be assumed for this purpose. The President's proposed budget is for a fill rate of 145,000 b/d. However, this reduced rate is subject to Congressional approval, and in the interim one must look for guidance to the provisions of EPCA §160(c)(1), as amended by the EEPA. Under §160(c)(1)(B), the minimum required fill rate during 1984

is to be 300,000 b/d, unless there is in effect a Presidential finding for good cause that compliance with such rate would not be in the national interest. A comparable finding was made for fiscal year 1983, and the President's budget for 1984 gives every reason to expect that this finding will be made again next year. If it is made, §160(c)(1)(C) provides that the minimum required fill rate shall be 220,000 b/d. Therefore, until the Congress has acted favorably upon the President's budget request for 1984 SPR oil fill, it seems reasonable to assume a 220,000 b/d fill rate for fiscal year 1984, when reserving appropriated funds to be carried forward into that year.

Additional justification for carrying forward fiscal 1983 funds for obligation or for deliveries in fiscal year 1984 may be found in EPCA §160(b), which provides:

> The Secretary shall, to the greatest extent practicable, acquire petroleum products for the Reserve...in a manner consonant with the following objectives:
>
> (1) minimization of the cost of the Reserve;
>
> (2) orderly development of the Naval Petroleum Reserves to the extent authorized by law;
>
> (3) minimization of the Nation's vulnerability to a severe energy supply interruption;
>
> (4) minimization of the impact of such acquisition upon supply levels and market forces; and
>
> (5) encouragement of competition in the petroleum industry.

Note that this provision is currently effective, whereas the Energy Security Act in 1980 had imposed its 100,000 b/d minimum fill requirement "notwithstanding subsection (b)." It is conceivable that in some circumstances compliance with the §160(b) objectives may be inconsistent with filling the SPR at a rate that would exhaust available appropriations by the end of the fiscal year.

Moreover, we do not believe §160 reasonably can be construed as mandating, under any circumstances, a fill rate in excess of 300,000 b/d. The §160(c)(1)(D)(i) requirement for SPR fill at the "highest practicable" rate only comes into play if a "minimum required fill rate" of 220,000 b/d under §160(c)(1) has become applicable because of a Presidential finding, under §160(c)(B), that a fill rate of 300,000 b/d "would not be in the national interest." Under those circumstances, it would be anomalous if the effect was not only to nullify the President's finding, but also to impose a requirement of an even greater fill rate. Had this been the intent of Congress, it easily could have so specified.

On the other hand, the "highest practicable" mandate clearly does require a good faith effort to use the available appropriations to maximize the SPR's average fiscal year 1983 fill rate, so long as this increased fill is reconcilable with the SPR's other programmatic and statutory requirements; of course, if oil prices change significantly during the course of a fiscal year the fill mandate may change accordingly. But absent a deferral or a rescission, it would not be appropriate to defer SPR fill solely in order to reduce the obligation or outlay of available appropriations in the current fiscal year.

Likewise, limitations in unfilled permanent storage capacity provide no justification for failing to utilize available appropriations in the current year. In the EEPA, the Congress amended the EPCA to make clear that an absence of permanent storage capacity is not a valid basis upon which the SPR's fill rate can be determined. As amended by the EEPA, the EPCA makes petroleum stored in "interim" facilities a part of the SPR (§159(b)(2), 42 U.S.C. §6239(h)(2)); eliminates any requirement for amending the SPR Plan to identify the interim facilities or for preparing an environmental impact statement before storing oil there

($159(h)(1),(3), 42 U.S.C. §6239(h)(1),(3)); makes the SPR program's basic statutory authorities available with respect to interim storage activities ($159(f)(5), 42 U.S.C. §6239(f)); and allows funds to be obligated from the SPR's off-budget account to pay for interim storage expenses ($157(e), 42 U.S.C. §6247(e)).

Our conclusion, that the "maximum practicable" mandate of EPCA §160(c)(1)(D)(i) is not constrained at the 220,000 b/d level, is supported not only by the language of the statute, but also by the history of the SPR fill schedule and of the EEPA's enactment. The SPR remains behind the fill schedule established in the SPR Plan, and a reading of the legislative history of the EEPA as a whole demonstrates a clear intent that SPR oil fill be accelerated. The EEPA does not direct the President to rush pell-mell into facilities and oil acquisition in disregard of other programmatic or statutory requirements or of prudent standards of care but, subject to assuring a continuity of program funding into the next fiscal year, it does compel a conscientious effort to utilize all available appropriations (including advance-funded deliveries) so as to maximize the rate of fill in the current fiscal year.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m. Monday, May 2, when we will review the fiscal year 1984 budget requests of the Minerals Management Service and the Advisory Council for Historic Preservation.

[Whereupon at 2 p.m., Thursday, April 26, the subcommittee was recessed, to reconvene at 2 p.m., Monday, May 2.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

MONDAY, MAY 2, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

MINERALS MANAGEMENT SERVICE

STATEMENT OF DANIEL N. MILLER, JR., ASSISTANT SECRETARY, ENERGY AND MINERALS

ACCOMPANIED BY:
DAVID C. RUSSELL, DEPUTY DIRECTOR
ROBERT E. BOLDT, ASSOCIATE DIRECTOR FOR ROYALTY MANAGEMENT
ROBERT L. RIOUX, ASSOCIATE DIRECTOR, OFFSHORE MINERALS MANAGEMENT
GARY BENNETHUM, ACTING ASSISTANT DIRECTOR, PROGRAM REVIEW
THOMAS M. GERNHOFER, ASSISTANT DIRECTOR, ADMINISTRATION
THEODORE F. SAUNDERS, CHIEF, BUDGET DIVISION

BUDGET REQUEST

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1984 budget requests of the Department of the Interior Minerals Management Service and of the Advisory Council on Historic Preservation.

We will begin with the Minerals Management Service, whose fiscal year 1984 budget request is $155,518,000. Although this amount represents a decrease of $40,988,000 from the 1983 appropriated level, most of this reduction represents a transfer of consolidated onshore minerals management functions to the Bureau of Land Management. MMS' request also includes a legislative proposal to deduct the cost of royalty management activities and the level of the proposed payment in lieu of

taxes appropriation from onshore minerals receipts before such receipts are distributed to the States pursuant to the Mineral Leasing Act.

Testifying on behalf of the Department this afternoon will be Mr. Daniel N. Miller, Assistant Secretary for Energy and Minerals; and Mr. David Russell, Acting Director of the Minerals Management Service.

INTRODUCTION OF ASSOCIATES

Please introduce the associates that you have with you at the table, and following those introductions we will then place your statements in the record and proceed directly to questions.

Mr. RUSSELL. Thank you, Mr. Chairman. We have with us Bob Rioux, on my left, who is Associate Director for Offshore Minerals Management; Bob Boldt, Associate Director for Royalty Management; on my right, Gary Bennethum, Assistant Director for Program Review; Tom Gernhofer on my left, Assistant Director for Administration; and Ted Saunders is our Budget Officer.

We have just a few remarks, Mr. Chairman, or, if you prefer——

PREPARED STATEMENTS

Senator MCCLURE. I have placed those in the record, and, if we can, we will proceed directly to questions.

Mr. RUSSELL. That's fine, Mr. Chairman.

[The statements follow:]

STATEMENT OF DAVID C. RUSSELL

As the Acting Director of the recently established Minerals Management Service (MMS), I want first to thank the Chairman and members of the subcommittee for your support in establishing a separate appropriations account and providing the resources to create the MMS. I am very pleased to have the opportunity to appear before this subcommittee to discuss our first complete budget proposal as a separate Agency.

It is a budget formulated to execute programs that will encourage inventorying and development of the Nation's offshore energy resources and will reduce our dependence on foreign sources of supply. The programs in this budget will also increase receipts to the Federal Treasury, while safeguarding human, marine, and coastal resources. It is a budget that allows this to be done not only without escalating resource requirements, but actually with decreased budget authority.

The Minerals Management Service budget request for FY 1984 is divided into two appropriation accounts. The first account totals $155.5 million to support the operating programs in the newly established appropriation for the agency. This request is distributed among three major budget activities. For the Outer Continental Shelf Lands Program, $108.1 million is requested; for Royalty Management Program activities, $26.4 million; and for General Administration, $21.0 million is proposed. After netting out the transfers of functions, which I will discuss in a moment, the operational budget proposal in the newly established Minerals and Royalty Management Appropriation for MMS represents a $9.7 million decrease from FY 1983 levels.

The second appropriation account managed by MMS was formerly under the jurisdiction of the Bureau of Land Management (BLM). It is entitled the "Payments to States from Receipts under the Mineral Leasing Act." The current revised estimate for this permanent appropriation, which is being transferred from the BLM to MMS in FY 1984, is $845.5 million, an increase of $314.1 million from FY 1983.

In July 1981, Secretary Watt appointed the five-member Commission on Fiscal Accountability of the Nation's Energy Resources, chaired by David F. Linowes. This commission was charged with the responsibility to conduct a completely independent study focusing on royalty management and oil theft, and to suggest solutions. After 6 months of work, the Commission made 60 recommendations which the Department moved aggressively to achieve or exceed.

Possibly the most dramatic of the recommendations was one calling for a realignment of the Department's management structure to strengthen our capability to meet royalty collection responsibilities. As a result, the Secretary created the Minerals Management Service on January 19, 1982 (Secretarial Order No. 3071), to coalesce the Department's royalty management and certain lease management activities for all Federal and Indian minerals leases.

On May 10, 1982, the Secretary furthered the role of MMS by consolidating all leasing and resource management functions for the Outer Continental Shelf within MMS's jurisdiction (Secretarial Order No. 3071, Amendment No. 1). This step continued the Department's efforts to build a more accountable and efficient management of mineral royalties and mineral leasing functions.

Final consolidation of mineral leasing functions occurred on December 3, 1982, when the Secretary addressed onshore leasing activities. Secretarial Order No. 3087 consolidated onshore mineral leasing functions of the MMS and Bureau of Land Management within the BLM. In addition, royalty and mineral revenue management functions were consolidated within the MMS. These consolidations will more clearly emphasize opportunities for energy and minerals development on Federal and Indian lands, and strengthen mineral resource expertise in the Bureau of Land Management, while reducing and streamlining mineral leasing procedures and enhancing multiple resource management.

The overall objectives of the establishment and consolidation of the Minerals Management Service are to:

- Improve accountability for mineral leasing and revenue collection and distribution;
- Save costs by avoiding duplication of effort and overlapping functions within the Department; and

- Enable the Department to more effectively balance offshore energy and mineral development and security needs of the Nation with protection of the marine and coastal environments.

The Minerals Management Service budget for FY 1984 reflects these changes and was formulated to accomplish these objectives.

Since the Minerals Management Service was established a little over a year ago, we have made substantial progress in meeting the goals and fulfilling the missions outlined for us. Some of our more notable achievements are the following.

- We have streamlined Outer Continental Shelf (OCS) leasing procedures, which will allow the private sector to increase exploration and production of OCS resources, while maintaining our goals of receiving fair market value and protecting the environment and without increasing our overall budget.

- We have maintained our outstanding offshore environmental and safety records. There have been only a handful of significant spills in nearly 30,000 wells (Federal and State) drilled off our shores. Strict regulations, blowout prevention technologies, worker training programs, and oil spill contingency plans make a serious blowout extremely unlikely today. In fact, in the twelve years since these controls were implemented in 1970, we have produced over 4 billion barrels of oil from the OCS, while losing a total of only 791 barrels as a result of blowouts. Our accelerated offshore leasing program will not alter the outlook for continuing this excellent record.

- The Department has addressed all of the 60 recommendations of the Commission on Fiscal Accountability of the Nation's Energy Resources. Work on 39 recommendations is completed, with activity on 19 others well underway. These active projects will be completed on pre-established schedules with due dates that will be met. The two remaining recommendations, one to expedite the processing of refunds for overpayment of OCS royalties and the second for establishing a self sustaining fund to provide for the the costs of the onshore portion of the Royalty Management Program, await other legislative action.

- We have installed a centralized, sophisticated royalty accounting system to provide for accurate and efficient collection, accounting, and disbursement of royalties due from Federal and Indian mineral leases. On February 4, Secretary Watt dedicated this new system with Chairman David Linowes attending the dedication, demonstrating the continued involvement of the Commission.

- We have signed cooperative audit agreements with eight States and one Indian tribe. Through March 31, 1983, $6.6 million of additional royalties were distributed to the States as a result.

- The Federal Oil and Gas Royalty Management Act of 1982 has been enacted and provides tough penalties for site security violations and willful royalty underpayments or late payments; monthly disbursement of revenues to the States; and authorization for increased delegation of some royalty management activities to the States, as well as for cooperative activities.

The FY 1984 budget that I am proposing contains the necessary funding to carry on this progress and still permit an overall decrease of $9.7 million in the operating program activities. This budget has been prepared to ensure that:

- Funding levels fully accommodate the 5-Year Outer Continental Shelf Leasing Program.

- Leasing of energy and mineral resources is streamlined and made more cost-effective through the elimination of backlogs and unnecessary delays.

- Environmental and safety standards are strictly enforced to assure protection of the environment and our natural resources.

- A full and accurate accounting is made for royalties and other receipts, including timely and efficient disbursement.

The proposed funding decrease is made possible in part by increased efficiency gained from consolidation of functions, streamlining of the leasing process and

phasedown of contract support for the design and development of the automated financial accounting system.

I will now turn to a more thorough explanation of our proposed FY 1984 budget for the three management functions of MMS, Offshore Oil and Gas, Royalty Management and General Administration.

Offshore Oil and Gas

In our view, the OCS leasing program is the most important energy program in the Government. It is important because the program can significantly contribute to our Nation's energy reserves over the next couple of decades. Contrary to popular belief, this country still has a great potential to discover and develop major new domestic oil and gas deposits -- as recent events in the Santa Maria Basin off California clearly demonstrate. Outside mature and developed areas in the central and western Gulf of Mexico and the Santa Barbara Channel, only 140 exploration wells have been drilled on the Federal OCS. Alaska, with over one half billion acres of OCS, has had fewer than 30 of these exploration wells. Up until a few years ago:

- We were the only country in the world whose offshore oil production was declining -- and it had fallen by a dramatic and unnecessary 34 percent over the period between 1970 and 1980.

- In 28 years, we had leased only 2 percent of our Outer Continental Shelf. Previous policies called for us to continue leasing at only one-tenth of one percent a year, even though over two-thirds of all our future oil and gas discoveries are expected to be offshore, and even though arbitrary oil price increases and cutoffs by foreign suppliers had severely disrupted the U.S. economy and threatened our national security.

- Many of the best oil and gas prospects have never been offered for lease, even though our Outer Continental Shelf is predicted to contain enough oil to replace 25 years of imports at 1982 rates and enough natural gas to heat 23 million homes for 50 years.

We believe this program can greatly increase our proven oil and gas resources. It will do it without jeopardizing any environmental standards and while producing -- not costing -- tens of billions of dollars for the Federal Treasury over the next 5 years. From an environmental perspective, this program is clearly our best energy production option. Of all the oil pollution reaching U.S. waters between 1969 and 1982, 80 percent came from oil tanker operations and collisions, 11 percent came from natural oil seeps and only 9 percent came from OCS operations. Only 6 of this 9 percent occurred before 1970 -- only 3 percent since.

In July 1982, the Secretary approved a 5-Year OCS Oil and Gas Leasing Program calling for 41 lease offerings from August 1982 through June 1987. About one billion acres of OCS lands will be considered for possible leasing during this period, though only a small percentage of the acreage considered is expected to be leased. Current revised estimates are that receipts from the OCS Oil and Gas Leasing Program will amount to $10.0 billion in FY 1984. Seven offerings are proposed in FY 1984: three in the Gulf of Mexico, one in the Atlantic, one off California, and two off Alaska. One of the Alaska offerings will be in the Navarin Basin and the other in the Diapir Field.

Highlights of this budget activity include:

- An increase of $0.4 million to provide additional resources for implementating the accident investigations and civil penalties programs.

- A decrease of $2.5 million in the Area Identification and Evaluation subactivity. Streamlining of the OCS lease sale process has resulted in increased efficiencies and, in addition, we have identified a reduction in resources for pre-lease acquisition and analysis of geologic and geophysical data.

- A reduction of $1.0 million for Oil and Gas Information as a result of the completion of a computerized data release system to provide geological and geophysical data summaries and other data to the public.

Royalty Management

Although the Department of the Interior had been charged by Congress to account for and collect billions of dollars in mineral leasing related revenues, and despite over 20 years of strongly worded concern by the General Accounting Office and numerous Congressional Committees, the Interior Department's royalty accounting program remained mired in red tape and inefficiency. The recordkeeping system was antiquated and highly inaccurate; reports of stolen oil and bypassed meters were commonplace; and estimates of unpaid royalties reached several hundred million dollars per year.

In January 1981, Secretary Watt asked the Western Governors and the Inspector General to help resolve the royalty management problem. A cooperative audit effort was initiated to identify and collect past due royalties. This effort now involves eight States. As they began their audits and investigations, the Secretary appointed the blue-ribbon panel, headed by the well-known auditor, David Linowes, to prepare an impartial, objective analysis of the royalty collection process and make recommendations for improving it. After 6 months of study, in January 1982, the Linowes Commission issued its final report making some 60 recommendations. As I noted earlier, the Department has addressed all of these recommendations.

The major changes in efforts to improve the collection of mineral leasing revenues, including development and implementation of the Auditing and Financial System (AFS) and the Production Accounting and Auditing System (PAAS), are well underway. The AFS is operational and MMS is in the process of converting all payors to the system. About 80 percent of mineral royalties are being paid under this new system. The PAAS final design is completed and is scheduled to begin operation in a pilot phase late in calendar year 1983. The use of these systems will greatly improve the Department's ability to ensure that royalties due the Government and Indian lessors are paid accurately and on time.

A number of events have occurred since submission of the FY 1984 budget request which have caused MMS to review future resource needs for the Royalty Management Program. Enactment last January of the Federal Oil and Gas Royalty Management Act of 1982, which requires monthly disbursement of receipts along with a more detailed explanation of payments, and an unexpected delay in the conversion of some payors to AFS have produced unanticipated additional requirements for the existing system. We are currently reviewing the impacts of these new requirements to make certain that the projected reduction in FY 1984 resource needs can be maintained. MMS is also drafting regulations for implementing the new Royalty Management Act, including the new monthly payment process, which must be operational by October 1, 1983.

General Administration

The establishment of MMS included the transfer of $7.1 million from the Geological Survey and the Bureau of Land Management for administrative and management support costs. Each of the programs, however, contained amounts which were intended to provide support to the executive management and administrative support activities through a method of internal assessment at the Division level. I decided early on to centralize all support and management activities into a single budget activity and to terminate the internal assessment of programs to derive this support. The Fiscal Year 1984 requirement for these activities is $21.0 million. This cost represents the levels considered to be essential for continued operation and implementation of new management systems for MMS. Budget requirements for these functions will be closely reviewed as systems and procedures become routine.

The General Administration activity provides funding to support executive direction, administrative operations support, and generally fixed costs for the MMS organization nationwide. Executive Direction includes funding for the Director and his immediate staff, Congressional and Legislative Affairs, Minerals Management Information, Equal Employment Opportunity, and the Office of Program Review. Administrative Operations includes Financial Management, Information Resource Management, Human Resources Management, Procurement and Contract Administration, and the field Administrative Service Centers. General Support Services, such as rental payments to GSA and Agency-wide telephone and postal expenses, are also included in this activity. Fiscal Year 1984 changes in this budget activity include:

- A decrease of $0.5 million due to the completion of development and implementation of the automated payroll and personnel accounting system.

- o A decrease of $0.2 million due to lower costs for administrative support activities provided by other Agencies.

Payments to States from Receipts Under Minerals Leasing Act

This appropriation covers the amount of payments made to the States from Federal onshore mineral leasing receipts obtained from leases within their boundaries. Responsibility for these payments will be transferred from the Bureau of Land Management to MMS in FY 1984. These payments are now estimated to increase by a net amount of $314.1 million as a result of the following factors:

- o The Federal Oil and Gas Royalty Management Act of 1982 requires that payments be made monthly rather than semi-annually, as before; it is now estimated that this will result in a large, one-time increase of $254.7 million.

- o Both production and prices of some Federal onshore minerals were assumed to increase between 1983 and 1984, an assumption currently being reviewed.

- o Improved royalty management procedures will be in place, resulting in increased collections.

- o These increases will be partially offset by the proposal to deduct the costs of onshore royalty management activities, in addition to Payments in Lieu of Taxes, from these receipts before they are distributed between the States and the Treasury.

In summary, I am pleased to be able to present this FY 1984 budget, which represents substantial savings in the operation of our programs, while substantially increasing our outputs. We believe we will be able to greatly expand the exploration for and development of domestic oil and gas, while increasing revenue accountability and the level of receipts from our leased energy and mineral resources. And we will do it with less budget authority and without sacrificing environmental safety.

I am now prepared to answer any questions from you or your subcommittee members.

STATEMENT OF DANIEL N. MILLER, JR.

Mr. Chairman, I am pleased to appear before you today to present our Fiscal 1984 Budget priorities for the Energy and Minerals bureaus. Mr. Harold Doley, Director of the Minerals Management Service is here today to discuss the 1984 Budget for the Minerals Management Service.

In the energy and minerals programs, our primary goal is to enhance America's ability to meet our energy and mineral needs with domestic resources. Therefore, one of our highest priorities is to accelerate and streamline our energy leasing activities in order to encourage development of the Nation's energy resources with appropriate concern for the environment. Our success in spurring such development will reduce America's dependence on foreign sources of supply and increase Federal revenues to help reduce the deficit. We have acted decisively to strengthen and streamline our organization in order to reach our goal by establishing the Minerals Management Service. In this regard, Mr. Chairman, I want to express our appreciation for the leadership of this Subcommittee in supporting the separate FY 1983 appropriation for the Minerals Management Service. The separate appropriation supports our efforts.

The Minerals Management Service was established by Secretarial Order No. 3071 on January 19, 1982, and further delineated by amendments to that order and by the issuance of Secretarial Order No. 3087 on December 3, 1982. The overall objectives of the establishment and consolidation of the Minerals Management Service were to:

- Improve accountability for mineral leasing and bonus, rental, and royalty collection and distribution.

- Save costs by avoiding duplication of effort and overlapping functions within the Department.

- Enable the Department to more effectively balance offshore energy and mineral development and security needs of the Nation with protection of the marine and coastal environments.

Mr. Chairman, two of the four areas for which we have assigned highest priorities within the 1984 budget are subjects which you will be considering today. One of those is the Outer Continental Shelf Oil and Gas Leasing Program, and the other is the new Royalty Management Program.

The Minerals Management Service is the agency responsible for managing the five-year Outer Continental Shelf Oil and Gas Leasing Program which calls for 41 lease sales between August 1982 through June 1987 (seven sales are proposed in 1984). About one billion acres of Outer Continental Shelf lands will be under consideration for leasing during this period. We have provided $108.1 million in the FY 1984 budget to fully support the five-year Outer Continental Shelf oil and gas leasing schedule.

In our view, the Outer Continental Shelf leasing program is the most important energy program in the Government. It will significantly contribute to our Nation's energy reserves over the next several decades.

Contrary to popular belief, this country still has great potential for the discovery and development of major new domestic oil and gas supplies as recent events in the Santa Maria Basin off the coast of southern California demonstrate.

Up until a few years ago:

- We were the only country in the world whose offshore oil production has declined -- it declined 34 percent between 1970 and 1980.

- In 28 years, we had leased only 2 percent of our Outer Continental Shelf. Previous policies called for us to continue leasing at only one-tenth of one percent a year, even though over two-thirds of all our future oil and gas discoveries are expected to be offshore.

- Many of the best oil and gas prospects have never been offered for lease.

We believe this program can greatly increase our proven oil and gas reserves and do it without jeopardizing the established environmental standards.

Mr. Chairman, over the past year, the Minerals Management Service has continued developing and implementing a new Royalty Management program in light of the Linowes Commission's findings and recommendations. This new program will put to rest the long-standing and widespread criticisms and allegations about the Department's fiscal management of energy and mineral revenues. These allegations included charges that inspections and audits were inadequate at best or were nonexistent and that record keeping was antiquated and inaccurate. Estimates of unpaid royalties reached several hundred

million dollars per year. Swift completion of this new system is imperative, including implementation of the new Federal Oil and Gas Royalty Management Act of 1982, signed into law on January 12, 1983, which provides the authorities needed to implement many of the Linowes Commission's recommendations. Our 1984 request provides $26.4 million necessary to continue development and implementation of this system.

The overall FY 1984 Budget for the four Energy and Minerals bureaus is $920.9 million in new Budget Authority subject to annual appropriations. This is a $21.0 million reduction from the 1983 current estimate of $941.9 million and is a $27.8 million reduction from the 1984 Base estimate of $948.7 million. Our recommendations in other program areas are summarized in the March 1 Statement of Assistant Secretary Daniel N. Miller, Jr. before this Subcommittee.

The 1984 Budget for the Energy and Minerals bureaus provides increases to support programs which are essential to achieving our goal which is to enhance America's ability to meet our energy and mineral needs with domestic resources.

Our 1984 Budget recommendations to expand or even sustain program funding levels are made possible through our reorganizational efforts and consolidation of lower priority programs, and through other cost saving initiatives.

Mr. Chairman, that concludes my remarks. Thank you.

OUTER CONTINENTAL SHELF LANDS

Senator McCLURE. I think it's fair to say your organization has made great strides in consolidating the various activities associated with our Outer Continental Shelf—OCS—lands, and it appears we are finally headed in the right direction. There is no question of the importance of a well-conceived, well-coordinated and very active OCS program, and I recognize the major role the Federal Government has to play in this regard. At the same time, though, it seems that the States and industry also have an important role to play.

DEVELOPING AND SHARING INFORMATION

Yet, my review of the justification left me somewhat puzzled as to exactly what role these two do have, particularly as it relates to the collection and the sharing of information with the Minerals Management Service. Can you explain for the committee the role industry and the States do have with respect to developing and sharing miscellaneous scientific information, conducting environmental studies, and other similar activities?

Mr. RUSSELL. Mr. Chairman, with respect to the offshore leasing and resource management program, the private sector has considerable input, early in the program, in the form of nominations. They direct the Department of the Interior effort in identifying areas of high potential. The U.S. Geological Survey, now Minerals Management Service, also identifies areas of geological potential and it is the intersection of those two pieces of information that become the proposed action for our area-wide EIS.

After that assessment, and with full input from the States, we provide a proposed notice of sale to the Governors of the affected States for their comment. It is at that time we get the formal input from the State, and the final notice of sale is drafted then, from that document. The Secretary, as a matter of course, also consults personally with the Governor of each State prior to the final notice of sale. That's a brief summary of the offshore program.

In the royalty management program, we have underway eight cooperative audits with the States in the West, to work with them in enhancing royalty management and collection procedures. It has proven to be very effective. I think through the Secretarial Advisory Committee that we have established we are getting significant input, not only from States but from the private sector, in identifying areas where we can improve further.

GEOLOGICAL AND GEOPHYSICAL DATA

Senator McCLURE. Does MMS require that information privately developed by industry be turned over for Government use before a sale is made?

Mr. RUSSELL. Through a series of geological and geophysical permits, and seismic permits, prior to the lease issuance, the Secretary authorizes

exploration offshore. That information is submitted to the Minerals Management Service, and we are able to begin resource evaluation, to develop resource estimates for each planning area, each basin, prior to performing an environmental assessment.

We hold this data proprietary. I believe this last year we spent about $9 million acquiring data from permittees. We have a great deal of data in the Gulf of Mexico, of course, and continue to acquire data in Alaska, California, and the Atlantic.

Senator McCLURE. Now, you indicate that you get that data from industry and you hold it as proprietary data.

Mr. RUSSELL. We contract with industry to acquire the data.

Senator McCLURE. If you contract with them and pay them for it, why is it proprietary?

Mr. RUSSELL. It's extremely sensitive data that they have developed on their own.

Senator McCLURE. All right. You contract with them for the acquisition of the data, which you have, but you don't make it public; you use it for your internal use.

Mr. RUSSELL. That is correct. We do share it with the States on occasion, if they establish an office of secondary control.

Senator McCLURE. Do you acquire from industry any information which is not held as proprietary, which is made available to the public, or to their competitors?

Mr. RUSSELL. Certainly there is some generic information, Mr. Chairman, that we get from industry in the form of nominations and in the form of their cooperating with us on public ventures to identify hot frontiers that need to be pursued for leasing opportunities. We do share that data with the public.

Senator McCLURE. Mr. Bennethum.

REIMBURSEMENT FOR PROCESSING COSTS

Mr. BENNETHUM. I would just like to clarify what we actually contract for is just the cost of processing the geophysical and geologic data. That's all we pay for.

Senator McCLURE. Processing their data or your data?

Mr. BENNETHUM. No; it's their data, but the costs for processing, we just reimburse them for that.

Senator McCLURE. What do you mean by processing?

Mr. BENNETHUM. Basically it is computer simulations, computer analysis, that kind of thing.

Senator McCLURE. Does the company do that for themselves in the absence of your evaluation?

Mr. BENNETHUM. Oh, yes. They do. We just reimburse them for that part of it.

Senator McCLURE. Why do you reimburse them if, as a matter of fact, you don't release it to the public and if they're going to do it anyhow?

Mr. BENNETHUM. Under law there is a provision that we do that.

Mr. RIOUX. We are entitled to the raw data that they acquire on the OCS as a condition of permit. We don't reimburse them for acquisition of the data. The processing is a filtering by various computer techniques to clean up the data to make it subject to interpretation. We pay only a fraction of the cost.

For example, if they sell that data to five people—the processing—we pay one-fifth of the processing cost. We only pay our proportionate share of the cost of processing. We pay nothing for the acquisition, which is generally about 50 percent of the total cost. The remaining 50 percent, roughly, is for processing. We pay only the proportionate share of the processing costs.

Senator MCCLURE. Do the States or industry contribute financially to the collection of geologic, geophysical, and other scientific information by MMS, before a sale is made? You have indicated that you pay a portion of the cost of the processing and that private industry does get the raw data. But there are other segments of industry that contribute nothing directly. You're probably referring to the independent geological surveys made by geophysical companies that develop this data and sell to primary producers. Do they do any of this work internally?

Mr. RIOUX. Sometimes. Generally they go to the seismic service industry to do their geophysical acquisitions.

Senator MCCLURE. They get it from the same place you get it?

Mr. RIOUX. Yes, sir; exactly.

Senator MCCLURE. They don't do it themselves?

Mr. RIOUX. Sometimes they do. It pretty much depends on having their own boats and going out and doing their own work exclusively for themselves. They can contract exclusively with the seismic service company to do a survey for them and no one else. Then we would be paying a larger portion of the share of processing, because they would be selling it only one time besides the Federal Government getting it.

Senator MCCLURE. Do the States make any contribution in this process?

Mr. RIOUX. Not to my knowledge.

Senator MCCLURE. In offshore?

Mr. RIOUX. They could if they chose. They can go to a seismic service company who has speculative data. They gather data and sell it to anyone.

Senator MCCLURE. They could, but they don't?

Mr. RIOUX. Not to my knowledge.

Mr. RUSSELL. No.

LEASING SCHEDULE LITIGATION

Senator MCCLURE. The 5-year OCS oil and gas leasing schedule has of course been finalized and I know you are doing everything possible to stay on track.

As is often the case, however, other outside forces may have much to do with whether or not you can meet your schedule. In this regard, what legal cases now exist which may result in a slip in that schedule?

Mr. RUSSELL. Mr. Chairman, the 5-year schedule with 41 sales is off to a good start. We have had three successful lease offerings in Alaska. We have not been sued by the State in any of those three ventures. We have worked very closely with Governor Sheffield in working out cooperative arrangement terms, a memorandum of understanding, and gotten a great deal of acreage under lease for exploration of frontier areas and huge bonuses to boot.

We just completed a successful lease offering in the mid-Atlantic—the first area-wide lease offering—which made available 23 million acres for lease.

Very little of that was actually leased and perhaps very little of that again will actually be drilled on, but the important aspect there is that it was available. It was available through the market for this frontier exploration venture.

Next, later this month we have the largest lease offering in the central Gulf, May 25. We are not expecting litigation there either. We have one major piece of litigation still pending on an individual sale, that is, sale 52 in the North Atlantic. We are unable to resolve our differences with the State of Massachusetts, even though we successfully concluded negotiations with the coastal zone management director. The Governor felt he could not, for political reasons, accept the terms it came to.

So we are proceeding successfully in Alaska, in mid- and South Atlantic; no problem yet in California as far as litigation is concerned, except for the pending appeal of the ninth circuit decision to the Supreme Court on sale 53.

So the roadblock at present, Mr. Chairman, is at sale 52 in the North Atlantic.

Senator MCCLURE. Do you anticipate any other such cases other than the pending case?

Mr. RUSSELL. If we can't work out arrangements with the State of North Carolina and the State of Florida on the South Atlantic lease offering, there may be litigation there.

We are actively negotiating with both States at the present to avoid that circumstance. We are working also closely with Governor Deukmejian in California to avoid potential litigation in central and southern California.

Senator MCCLURE. Where does the ninth circuit court of appeals case on sale 53 stand now? What is the timetable on that case?

Mr. RUSSELL. We have appealed to the Supreme Court. They are not expected to act on that until—optimistically, I would say, the end of the year and perhaps later than that.

One of the issues was whether or not a lease offering in itself directly affects the coastal zone.

REVIEW OF LEASE-SALE SCHEDULE

Senator MCCLURE. You are of course required by the OCS Lands Act Amendments of 1978 to annually review the 5-year leasing schedule.

At what point during this fiscal year will you conduct that review and what revisions to the schedule do you anticipate may result from that review?

Mr. RUSSELL. Mr. Chairman, we have just initiated that review—the early stages of it—and anticipate having that annual review done by July.

At this point we are faced with only a number of small revisions in sale dates, most of those originating from the ninth circuit decision in California on that California lease offering.

Senator MCCLURE. On page 24 of your justification you indicate you will during 1984 conduct seven lease sales involving 304 million acres, yet your 5-year schedule indicates you will conduct eight such sales during 1984. Is there a major difference between those two?

Mr. RUSSELL. I believe our number reflects seven and there may be a difference between fiscal and calendar years.

Senator MCCLURE. Doesn't your 5-year schedule indicate you will conduct eight such sales during 1984 and your justification shows seven?

Is there a difference between calendar years and fiscal year?

Mr. BENNETHUM. One of the offerings has been pushed forward.

Mr. RUSSELL. Sale 73 in central and northern California has been pushed from September to October 27.That adds one sale to the seven in the justification, also decreases by one the number we offered this year.

Senator MCCLURE. That would push one from 1983 into 1984?

Mr. RUSSELL. Yes, sir. That would be the eighth.

Senator MCCLURE. Nine during 1984 unless there's some on the 1984 schedule that have slipped. Of course, the 1984 schedule I was looking at is calendar year 1984.

Mr. RUSSELL. Yes, sir. I can pick out for you the lease offerings we have scheduled: central California in October; the eastern Gulf of Mexico in November; both in calendar 1983. Beginning in calendar 1984 we have southern California; North Atlantic; the Navarin Basin in Alaska; the central Gulf of Mexico; the Diapir Field, and the western Gulf of Mexico, totaling eight.

Senator MCCLURE. Eight counting the one that slipped from this fiscal year into the next fiscal year.

Mr. RUSSELL. Yes, sir.

OCS REGULATORY ENFORCEMENT

Senator MCCLURE. Can you explain for the committee exactly what responsibility and legal authority MMS has in the enforcement of regulations and the levy of appropriate fines?

Mr. RUSSELL. For the offshore leasing program?

Senator MCCLURE. Yes.

Mr. RUSSELL. I think I'll let our Associate Director for Offshore answer that one.

Senator McCLURE. Perhaps I could focus that question a little more closely by pointing out that you indicated on page 47 of the justification that you expect to be involved with about 35 civil penalty proceedings during fiscal year 1983, but expect that number to increase to 50 in fiscal year 1984.

Why do you believe the number of such proceedings will rise so dramatically next year?

Mr. RIOUX. Partially because we were really just beginning to implement that program—the civil penalties program as provided for in the amendments act. However, that program is now somewhat in question because it is before a court as to whether our implementation of the civil penalty program has been correct. So there is some doubt as to the future of that program and the extent to which we will be carrying it out.

Senator McCLURE. That indicates you're behind in your schedule on civil levies and civil enforcement?

Mr. RUSSELL. What it may mean, Mr. Chairman, is that the regulations implemented because of the 1978 statute were rigidly drawn, as they should be, to prevent offshore mishaps.

There is a case pending where the judge ruled in the Gulf of Mexico that the time we allowed for correction of certain serious discrepancies in offshore operations was inadequate.

That is, our rules—the Department of Interior's rules—said that zero time is appropriate in a serious situation. The law, however, provides for reasonable time to correct the deficiency. Reasonable time the court ruled in this case was more than zero or more than minus 4 days. That may affect the number of cases we have pending here.

Senator McCLURE. How much in time will that affect—do you have to go back and redo the regulations from the beginning?

Mr. RUSSELL. It may mean the companies that have been assessed civil penalty fines will appeal those before the Department. It will not mean future delays.

Senator McCLURE. But until you get the appeal or until you get new regulations in place you will not be able to levy such fines, will you?

Mr. RUSSELL. The paperwork is proceeding through the Bureau as if the rules were still in place. As soon as we get a full reading from our Office of the Solicitor and the Justice Department, we will determine internally in the Department whether or not that rule should be rescinded or revised.

We are not assuming any delays in civil penalty cases.

Senator McCLURE. You're assuming you will win that court case?

Mr. RUSSELL. No, sir. We may not appeal the case. In fact, a reasonable time should be some prospective amount of time. It should not be negative time.

Senator McCLURE. How long has that been going on?

Mr. RUSSELL. The rules have been in place about a year and a half. It was challenged within the last 6 months. The ruling just came out.

Senator McCLURE. When was it challenged and when was the court order?

Mr. RUSSELL. Conoco and Shell sued the Department saying "a reasonable time as provided for in the act."

Senator McCLURE. Could you provide for the record the date that regulation became final?

Mr. RUSSELL. Yes, sir.

Senator McCLURE. The date at which the levy was made, the date at which they appealed and the date of the court decision.

Mr. RUSSELL. Yes, sir; be happy to.

[The information follows:]

CIVIL PENALTY CASES

Civil penalty regulations became effective on October 26, 1979. Three civil penalties cases involving CONOCO and Shell have been combined into one court case. Two of the cases involved CONOCO and one involved Shell. The following is a brief chronology of each:

SHELL

Civil penalty case No. GOM 82-11.
Period of infraction: December 9, 1981-January 8, 1982.
Infraction: Violation of OCS Order No. 5 concerning subsurface-safety valves.
Fine levied: $68,200—September 3, 1982.
Filed notice of appeal: October 8, 1982.
Jointed CONOCO court case: November 1982.

CONOCO

Civil penalty case No. GOM 82-05.
Period of infraction: May/June 1981.
Infraction: Violation of OCS Order No. 5 concerning subsurface-safety valves.
Fine levied: $173,000—July 8, 1982.
Case was not appealed, but was taken directly to court.

Civil penalty case No. GOM 81-8.
Period of infraction: June/August 1981.
Infraction: Violation of OCS Order No. 5, failure to test subsurface-safety valves.
Fine levied: $180,000—July 12, 1982.
Case was not appealed, but was taken directly to court.

The CONOCO court case was assigned civil file No. GOM 82-3208.

After several months of proceedings in District Court for the Eastern District of Louisiana, the last hearing was held on March 30, 1983, for final oral arguments by the Government, CONOCO, and Shell for summary judgment. At that time, the judge informed all parties that he would rule in favor of CONOCO and Shell, as he could not agree with the Federal Government's interpretation and implementation of section 24(b) of the Outer Continental Shelf Lands Act. He requested that a decision be drafted by the CONOCO attorney and reviewed by the Department of Justice and be submitted to him for signature. We are awaiting that decision.

OCS NONENERGY MINERAL LEASING

Senator McCLURE. Besides OCS oil and gas leasing activities, the MMS has begun in fiscal year 1983 to develop a process for leasing nonenergy minerals on the Outer Continental Shelf.

How far along have you proceeded in developing this process and what exactly are your plans for 1984?

Mr. RUSSELL. We have planned for October this year a lease offering of sand and gravel in the support of oil and gas operations in the open sea, the Diapir Field area. We recently just had a $2.1 million bonus receipt in the Diapir Field.

Late last year there was a lease offering there. A number of companies require sand and gravel to build gravel islands so that their drilling can proceed.

Our hard-rock mineral leasing program offshore will provide the basis for that oil and gas operation.

In addition, we are in the early stage of the planning for an offering of polymetallic sulfides off the coast of Oregon and Washington.

The origination of those minerals—they are copper, zinc, cobalt, silver—those minerals are in sulfides, heavy sulfides in very deep water, 6,000 feet or so off the coast of Oregon and Washington, and they originate through hydrothermal vents. We are trying to provide an opportunity for an admittedly small number of companies that are interested in exploring for and assessing the value of these polymetallic sulfides.

Those are the two areas of offshore hard rock mineral leasing that we are investigating now. We have dropped consideration of the manganese nodules and manganese pavement in the Blake Plateau off South Carolina because of the lack of industry interest.

Senator MCCLURE. You say industry has expressed no interest in the manganese?

Mr. RUSSELL. In the manganese nodules in the Blake Plateau. They are different from the nodules in the Pacific and the pavement is extremely difficult to extract without perhaps underwater caterpillars. The primary private sector interest was from Reynolds Metals in Richmond, Va.

They have advised us that they, through a market study, no longer have sufficient economic interest to pursue that on behalf of their client.

Senator MCCLURE. In terms of recovering the other minerals you referred to, do you feel that that potential is great or small?

How would you characterize the potential for recovery?

Mr. RUSSELL. The environments for those metals and critical industrial materials offshore is so varied. Water depths are varied; the minerals themselves are so varied that it is very much a unique circumstance with the metal or the mineral.

We found great interest in sand and gravel; low but excited interest in the polymetallic sulfides; and as you are aware, there are many other minerals offshore as well. But it is a frontier and fledgling industry, and we would like to provide the opportunity at least for them to seek more information about both the resource and the environment in which it occurs.

Senator MCCLURE. How many years away are we before we can expect to see a nonenergy lease sale?

Mr. RUSSELL. The first one will be in October of this year for sand and gravel.

Senator MCCLURE. Let me broaden it. Anything but sand and gravel. Separate that one out.

Mr. RUSSELL. In the summer of 1984, we expect to have a lease offering that would include tracts off Oregon and Washington for those polymetallic sulfide deposits.

COSTS OF NONENERGY LEASING PROGRAM

Senator MCCLURE. What are the specific costs that you anticipate for the Federal Government with respect to this program?

Mr. RUSSELL. Very minimal, and they probably can be absorbed within our offshore leasing program. We are drawing on the expertise of our own environmental assessment staff. It may require some survey work that we have not anticipated because this program is designed to be responsive to the private sector. As Reynolds Metals or whatever company comes to us with a new venture, we will have to evaluate that at the time.

Senator MCCLURE. Would you provide for the record a breakdown of what you believe the cost might be of this first sale?

I am looking at things such as what you want to be able to provide to industry, what your estimate will be with respect to environmental and other concerns that implies you are prepared to provide the information to them, in addition to the information which they themselves have with respect to various portions of the management requirements that will bear upon the environmental effects of such operations.

Mr. RUSSELL. Yes, sir.

Senator MCCLURE. And I would assume the environmental assessment is preliminary to the lease, but involves some expense?

Mr. RUSSELL. Yes, it does, although in this operation it will differ from ordinary offshore oil and gas leasing because the level of data is small compared to other environmental studies we have in the area.

Senator MCCLURE. The level of data is small, but the level of change in the environment may be relatively large.

Mr. RUSSELL. That is true.

Senator MCCLURE. Therefore, the data might necessitate a different level of data requirements?

Mr. RUSSELL. That is right. The OCS Lands Act amendments only has two requirements for the hard rock mineral leasing program. The first is a competitive lease offering and, second, that we go through the lease offering by bonus to determine which is successful.

That gives us great flexibility in designing a program that we can work with the private sector party, so that through a cooperative effort we can define more specifically and more rigidly the environmental parameters of the exploration, development, and production, if it comes to that, as we go along.

Senator MCCLURE. I don't mean to belabor it again, but would you give us a breakdown for the record?

I am concerned that if, as a matter of fact, cost to the Federal Government is minimal, that would indicate the data collection and analysis by the private sector must be maximum and that therefore you run into the proprietary information question if you are really to get into competitive leasing, isn't that correct?

Mr. RUSSELL. I see your point, Mr. Chairman.

Senator MCCLURE. if you could give us some analysis that bears upon those concerns.

Mr. RUSSELL. Be happy to.

[The information follows:]

POLYMETALLIC LEASE OFFERING

Total costs associated with preparing for the first polymetallic sulfides lease offering are estimated at $625,000 with $440,000 allocated to the preparation of an environmental impact statement and the remaining $185,000 allocated to leasing management and resource evaluation activities. Work to date has relied on existing resource and environmental data. Immediately following the lease offering, when the geographical distribution of leased tracts is known, environmental studies will be initiated, the results of which will be provided to the public. These studies help to assure environmentally sound exploration and development in the leased areas.

RESEARCH PROGRAM FOR POLYMETALLIC SULFIDES

Mr. RUSSELL. Just one more point for the record. NOAA and the Geological Survey have an active research program for polymetallic sulfides, as well as some other offshore hard rock mineral leasing ventures, and we draw heavily not from our own internal research, but from the research of other agencies in supporting the environmental surveys, et cetera, needed prior to leasing.

Senator MCCLURE. The question that I had asked was directed primarily to polymetallic sulfides, but if you could give it also for the sand and gravel operation.

Mr. RUSSELL. Be happy to.

[The information follows:]

SAND AND GRAVEL LEASE OFFERING

Total costs associated with preparing for two sand and gravel lease offerings in the Arctic in fiscal year 1984 are estimated to be $1.55 million with $1 million allocated to the preparation of environmental impact statements and the remaining $550,000 allocated to leasing management and resource evaluation. Our work to date has relied on existing resource and environmental data developed by MMS to support oil and gas lease offerings in the same area.

ROYALTY MANAGEMENT PROGRAM

Senator MCCLURE. Turning to your royalty collections and royalty compliance programs, I would like to explore for 1 minute the development and implementation of the auditing and financial system and the production accounting and auditing system.

These systems have, of course, been proposed and are in various stages of implementation in an effort to improve royalty collections, which I understand are estimated to have run as high as 10 percent uncollected before 1981.

What does MMS think the current undercollection rate may be?

Mr. BOLDT. Mr. Chairman, the 10-percent estimate was developed by extrapolations based on a GAO report done about 2 years ago. We have never been able to develop data or analysis to support that 10 percent figure.

Based on the results of audit work we have been doing for the last 2 years, we estimate the figure to be somewhere in the neighborhood of 3 to 4 percent per annum. That appears to be a figure that is substantiated by our audit work and the audit work that has been done by the Office of the Inspector General.

Senator MCCLURE. Once the AFS and PAAS are completely in place, what do you believe the undercollection rate will be?

Mr. BOLDT. One of the things that is important in looking at that percentage figure is that a large portion of that is due to disputes between ourselves and the various royalty payors on the question of product valuation—the value assigned to a commodity upon which the royalty amount is calculated.

Probably about 80 percent of the 3 to 4 percent is related to that area. This is the big dollar issue.

The AFS, when it is completely installed, will flag aberrations and product value determinations and give us the ability to set those aside and to determine whether the product value is made properly or not.

However, I think of even greater importance to the AFS in this context is the fact that also as a result of recommendations made by the Linowes Commission we have been rigorously developing product valuation guidance in all of the major products—oil, gas, coal, and so on—and will be issuing those to royalty payors this fiscal year.

So the confusion which existed in the past relative to product value will be cleared up to a great extent.

Senator MCCLURE. That means you are putting a greater emphasis on AFS and PAAS to narrow in on the seven-tenths of 1 percent that has escaped?

Mr. BOLDT. That is correct, sir.

Senator MCCLURE. Is the cost worth what you are doing?

Mr. BOLDT. We believe it is. That seven-tenths of 1 percent still exceeds by five times the cost of installation and operation of the system.

IMPLEMENTATION OF SYSTEMS

Senator MCCLURE. Are you on schedule in implementing both of these plans?

Mr. BOLDT. As far as the AFS is concerned, we have recently extended the schedule for full implementation by 4 months due to the fact we have had a significant increase in the number of small royalty payors coming into the system at Albuquerque, which is the next office we are due to convert.

This is primarily due to the fact that several large royalty payors have given up their royalty-paying responsibilities for the small royalty payors, who now have to assume that responsibility on their own.

Primarily because of this fact, we saw fit to delay implementation for 4 months. However, the complete system will be installed by January 1, 1984.

As far as PAAS is concerned, that is on schedule. We will begin operation with a pilot test in November of this year, and we will convert the OCS production, which represents about 70 percent of all production in the system, in February of 1984.

Senator McCLURE. You indicated that the recovery would be five times the cost. You are talking about the direct cost to the Government, are you not?

Mr. BOLDT. That is correct, sir.

Senator McCLURE. That doesn't include the indirect cost to industry?

Mr. BOLDT. No; just direct cost to the Government.

Senator McCLURE. You have indicated that converting industry to the new auditing and financial system has resulted in a significantly larger number of payor reporter errors than you had earlier anticipated.

Why is that the case?

Mr. BOLDT. The error rate really is a combination of three factors. Part of it is error rate due to the royalty payors; part of it is error rate due to our internal problems of the system during the shakedown phase; and, third, part of the problem relates to the fact that some of the very small payors that are coming into the system have difficulty dealing with the reporting system.

As far as reporter errors are concerned, we just inaugurated a new system of providing to the royalty payor on a monthly basis a model form report which they must submit, which includes most of the data—stationary data—as it doesn't change. That cuts down on the input error tremendously. We have noticed a tremendous increase in accuracy as a result of that device over the last 2 months we were testing.

As far as our internal errors are concerned, that has primarily been due to the shakedown of the new system and due to some problems we had in developing the rough data base.

We feel we will have most of that behind us by the early summer, when we completely revalidate the data base that was put in the system.

One of the problems has been we have actually converted in three different phases, using two interim systems. As a result of that, we have had more problems with data, which I refer to as garbage, than we would have if we had been able to just bring the whole thing over. But we are really confident now that our error rate will be reduced to the system's error rate of less than 4 percent by the time the system is fully operational in January 1984.

PRODUCTION ACCOUNTING AND AUDITING SYSTEM

Senator McCLURE. You state further that converting industry to the production accounting and auditing system will likely result in even more problems, partially because few lessees will have had any experience in collecting the kinds of production data required by this system.

This statement puzzles me because it implies that industry has in the past not made its financial decisions based on sound production and royalty data.

Is that, in fact, the case?

Mr. BOLDT. Yes and no, sir. The meat of that particular part of the justification relates to the fact that while industry has always maintained production data, they have maintained it on a cost/production basis rather than on a lease-by-lease basis.

They are more interested in oil and gas production by the system than how much comes from a particular lease. What we are getting at here is developing production data on a lease-by-lease basis to make sure that the production data ties into our sales data off that particular lease.

Most of the big companies—the top 10 royalty payors, which pay about 75 percent of the royalties, have been working with us very closely to develop a system that will feed into us, but only two of them have in the past maintained that kind of production data on a lease-by-lease basis.

Senator MCCLURE. It must make the royalty owners on those leases very nervous for you to say that.

Mr. BOLDT. That is probably true.

Senator MCCLURE. Perhaps we will extrapolate that into a whole generation of lawyers making money. I know they are suffering. [Laughter.]

How is the PAAS different from what industry has historically done for its own use?

Mr. BOLDT. In part, I think I answered that question previously. It is primarily moving from systems to a lease-by-lease basis.

Senator MCCLURE. And that is the major difference?

Mr. BOLDT. That is the major difference.

Senator MCCLURE. Which implies they didn't know what they had on a lease-by-lease basis?

Mr. BOLDT. Well, from an industry standpoint, it is really not of that much importance, because it all goes into a common gathering system.

Senator MCCLURE. They make their payments to royalty owners on a lease-by-lease basis?

Mr. BOLDT. That is correct.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. There are some further questions to submit for the record for response in writing. If you would, please, get those in as promptly as you can.

Mr. RUSSELL. Very well.

Senator MCCLURE. I very much appreciate your appearance and your testimony here today.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Outer Continental Shelf Lands

Question: Under the Area Identification and Evaluation function, you report that maps and analyses involving geologic and geophysical data of a specific lease area are prepared for the Secretary in making necessary decisions concerning that lease. Are these maps and analyses done completely in-house or do other agencies such as USGS have a role to play in this activity?

Answer: All of the maps and analyses involving geologic and geophysical data of a specific lease area are done by MMS in-house.

Question: In the Fiscal Year 1983 Apropriation Act, the Congress restricted exploration and leasing activities on certain areas along the California and New Jersey coastlines. Can you give the Committee an idea of how the environmental situation that may be associated with these areas compares with other OCS areas which have already been leased? Has MMS determined the potential royalties that have been lost as a result of these restrictions? If so, what are they? Are there any other lease areas where you expect the Congress may be inclined to propose similar restrictions in future appropriations acts?

Answer: An issue of major environmental concern in Northern California is putting at risk aesthetic values and commercial fisheries by offering this area, which has relatively low resource estimates, for lease. In Central California, potential impacts to the threatened southern sea otter and air quality are issues of major concern.

Of special environmental concern in the Mid Atlantic planning area are the ten canyon head areas. These areas are located around the upper portions of submarine canyons cut into the edge of the continental shelf, forming habitats for corals, lobster, tilefish, and other fish species, some of which are commercially important. Due to currents within the canyons, sea birds tend to congregate and feed in surface waters above them.

The coast area along the Mid Atlantic is also of special concern because of the importance of the numerous estuaries as passageways for fish spawning, all of which could be seriously affected by an oilspill. Recreation and aesthetics are also of concern because of the tourism industry along the coast. However, the areas of highest hydrocarbon interest are located 75 miles or more from shore, unlike California where leasing interest is high for tracts adjoining State waters.

Both of these areas (offshore Northern and Central California and offshore New Jersey) have had lease sales resulting in exploration activities but no development. Leases were sold offshore Central and Northern California during the 1960's and offshore New Jersey during the late 1970's. Although each OCS planning area is unique, other OCS areas with considerable natural scenic value, valuable commercial fisheries, endangered species habitat, and recreational beaches have been leased in recent years (Gulf of Alaska, Beaufort Sea, and North Atlantic).

Yes, MMS has, based upon estimates of potential resources that may exist in these areas, estimated the potential royalties that have been lost as a result of the restrictions. These resource estimates have appeared in lease offering EIS's and were derived from the U.S. Geological Survey's assessments.

The range of resource values associated with these areas produces a corresponding wide range of royalty estimates. Accordingly, we estimate, using the mean resource estimate, that the present value of total royalties is approximately $2.6 billion for the California deletion, and $150 million for the New Jersey deletion. If leasing is delayed rather than restricted, the cost of delay of royalty receipts would be approximately eight percent per year or $210 million per year for California and $12 million per year for New Jersey.

It is difficult to anticipate areas where Congress may propose future lease restrictions since past Congressional actions were not predictable nor seemingly based on overall assessments of the lease offerings.

In recent Appropriation Acts, Congress short cut the Section 19 (of the OCS Lands Act Amendments) process of coordination and consultation with affected States and it is possible they may continue to do so for lease offerings in the California and Atlantic planning areas. However, we believe that the Section 19 process is a sound one and that the Administration has shown a willingness to make it work, given the opportunity.

Question: If the Department's accelerated leasing program goes as planned, there will be a significant increase in offshore land placed under lease. More land under lease will presumably result in increased post-lease and royalty management activity -- areas in which Interior's stewardship has been questioned and found lacking in the past. Is there sufficient staffing and funding to perform the necessary post-lease management functions under the accelerated leasing program? What analyses have been done to determine what is needed? What level(s) of leasing were assumed in making these analyses?

Answer: It is anticipated that the Department of the Interior's accelerated leasing program will result in an increase in the quality of acreage leased rather than a major increase in the quantity of acreage leased. It is expected that the regulatory program contained in our FY 1984 proposal can accomodate that shift in emphasis.

The program may necessitate a reallocation of existing Minerals Management Service resources to the Alaska OCS Region where a slight increase in leased acreage is expected. Resources may be realigned from mature (developed) areas where there may be a slight decrease in leased acreage and exploration activity.

In the event there is a significant increase in the quantity of acreage leased during the initial sales under the accelerated leasing program, the time lapse between the issuance of leases and the start of lease exploration and development will permit the Department time within which to request authorization for additional staffing and funding, if that should be required.

During the development of the accelerated leasing program, our field offices were consulted to provide comments on the time frames and deadlines to meet each milestone. This coordination and consultation with our field offices, together with the time lapse between lease issuance and lease exploration and development, allowed us to ensure that the field offices will be capable of handling the sales on the new schedule under streamlined procedures without significant increase in personnel and funding.

Question: In a December 20, 1982 report entitled "Interior Should Continue Use of Higher Royalty Rates for Offshore Oil and Gas Leases," the GAO concluded that the results of the Department's use of higher royalty rates in leasing offshore lands appeared encouraging, yet reported further that the Department would likely not use the higher rates. GAO indicated that the reasons MMS would not use the higher rates include: 1) the risks of not leasing land at higher royalty rates outweighed the possible gains, and 2) the quality of presale resource information needed to make decisions on royalty rates would be less under the accelerated program.

Specifically what studies have been conducted to determine if the risks do in fact outweigh the possible benefits and what were the results of those studies?

What impact do increased royalty rates have on total revenues to the government resulting from a lease? Do increase royalty rates substantially impact the size of developable oil fields? If so, what specific evidence do you have which has led this conclusion?

Why do you believe the quality of presale resource information will be less under the accelerated program? What can be done by MMS, the USGS, or by industry to alleviate any potential problem in this regard?

Answer: As stated in the GAO report, the Department will not use royalty rates greater than 16 2/3 percent under most circumstances. This is not to say that higher royalty rates will never be used, but use of higher rates will be limited to specific situations in which benefits would be evident. A study entitled The Effects of Alternative Leasing Systems on OCS Bidding Behavior:

An Empirical Analysis done by Resource Planning Associates, Inc., indicated that a bidding system using higher royalty rates have a weak but positive effect in increasing competition for OCS leases. In particular, small oil companies exhibited a significantly higher level of competition both in number of bids and value of tracts offered under this system in Sale No. 40. However, MMS believes that this could be attributable to the higher resource potential of these tracts. MMS leasing system design analyses of bidding systems using higher royalty rates for various sales have also revealed a significant increase in minimum economic field size and a corresponding decrease in resource recovery, particularly in high-cost areas. These analyses also indicated that the after-tax net present worth would be at least 30 percent less than those same tracts under the conventional bidding system. This, in turn, might lead to a reduction in the number of tracts leased and ultimate resource recovery.

Studies conducted by MMS have indicated that, generally, use of higher royalty rates have no substantial effect on total Government revenues resulting from a lease, although significant variations can be expected depending upon risks and resources. Generally, the trade off between bonuses and royalties results in approximately the same total revenue effect. For tracts with higher resource values, increased revenues are possible from a higher royalty. However, based upon MMS simulation analysis, there is also the potential that not all the resources may be recovered from these tracts. For tracts with lower resource values, revenues are expected to be less under bidding systems using higher royalty rates, primarily due to the negative effort on leasing interest.

MMS bidding system design analyses have revealed a significant increase in minimum economic field size under high royalty rates. For example, in the bidding system design analysis for OCS Sales Nos. 67 and 69, a 33 1/3-percent royalty rate required the minimun economic field size to be increased by about 14 percent when compared with a 16 2/3-percent royalty rate in shallow water areas and to double in deepwater (high-cost) areas.

Prior to adoption of the areawide leasing concept, the Department, based upon resource information and industry nominations, selected the tracts offered for lease. Extensive presale resource assessment and resource economic evaluations were performed on the tracts tentatively selected for offering. On the basis of these detailed prospect-specific presale analyses, the Department designed the leasing system for the sale. Individual tracts were offered with a bidding system and parameters tailored to the tracts' resource potential, risk, exploration and development costs, and expenditure and production profiles.

Areawide offerings greatly exceed the Department's ability in terms of manpower and budget resources to perform these detailed resource economic evaluations for each prospect offered for lease. In lieu of these analyses, MMS has made use of past analyses, anticipated field size distributions, and costs and revenue projections associated with field sizes to design the leasing systems for lease offerings. More importantly, we have attempted to apply systems which are more versatile in performance over a wide range of resource, price, and cost possibilities. The royalty and sliding scale systems presently in use have been found to minimize production and revenue losses in this regard.

Royalty Management

Question: You have reported that MMS has during fiscal years 1982 and 1983 implemented many of the Linowes Commission's 60 organizational and systems improvement recommendations for revising and rebuilding our royalty management program. Can you briefly describe for the Committee the major recommendations that remain to be implemented and the timetable adopted for such implementation?

For the record, please provide a list of each of the 60 recommendations and the date that each was or is scheduled to be implemented.

Answer: The Linowes Commission categorized its recommendations into six areas. The following is a list of all recommendations, categorized into the six areas, including a brief description and the date when each was or is scheduled to be implemented. Those recommendations underway are given first in each category.

1. Internal Controls

Lease Subaccounts -- Underway: scheduled for completion on January 1, 1984. Subaccounts for each lease are being established as royalty payors convert to the AFS.

Operator of Record -- Underway; scheduled for completion on June 30, 1983. A study for prospective application of this concept is being performed.

Use of Production Records -- Underway; scheduled for completion on June 1, 1983. Comparison study of quantities reported on production reports versus sales/royalty reports are being performed.

Product Value Guidance -- Underway; scheduled for completion in September, 1983. Product value guidance will be issued on all commodities. Crude oil product value guidance issued; one for natural gas is scheduled to be issued within the next few weeks.

Late and Nonpayment Identification -- Underway; scheduled for completion in January 1984. Late Payments identification is incorporated into the new accounting system.

Offshore Refunds -- Pending legislation. Proposed provision deleting mandated legislative review was not adopted by Congress in passing the Royalty Management Act of 1982.

Accelerated Lookback Audits -- Underway; scheduled for completion in December 1984. Of the 25 lookback audits, 6 are completed and 10 are in process.

Account Reconciliation -- Underway; scheduled to be completed in January 1985. Accounts are being reconciled as offices convert to the new system.

Routine Audit Program -- Underway; this is an ongoing effort. Royalty audit program consists of cooperative audits, lease audits, lease reconciliation, and special audits.

Performance Standards -- Underway; this is an ongoing effort. Recommendations being incorporated into MMS managers' performance standards.

Production Start-up Notification -- Completed in August 1982. Five day notice requirement established.

Payor Plan -- Completed on October 27, 1982. The Payor Information Form of AFS establishes lease subaccounts with payor identification information for each account.

Verification of Production Sales -- Completed on May 14, 1982. Instructions were issued that inspection reports with suspected irregularities are to be forwarded to MMS compliance offices.

Purchaser's Report -- Completed in November, 1982. Purchaser's Report will be used to verify sales data provided by lessee on a sample basis.

Channels of Commerce Study -- Completed in November 1982. The Secretary endorsed OIG's recommendation not to pursue tracing mineral products through channels of commerce.

Meshing Inspection and Financial Management -- Completed on May 14, 1982. A guidance document was issued in May 1982 instructing MMS employees on procedures to be followed in implementing this recommendation.

Interest Rates -- Completed in May 1982. Interest rates are based on Treasury's quarterly rate on current value of funds.

60 Day Payment for Gas -- Completed in January 1983. The 60 day payment cycle for gas remains unchanged. It will not be modified to incorporate other commodities.

System Corrections -- Completed in May 1982. MMS's Internal Review Division reviews audit findings for consistency.

Certified Public Accountants -- Completed in November 1982. MMS can require an annual audit conducted by a certified public accountant under its supervision.

Additional Staff -- Completed in FY 1982. Additional staff provided for Royalty Management Program (RMP) by the Department.

Comprehensive Training -- Completed in October 1982. Training seminars are being provided for accountants and auditors.

Lookback Audit Plan -- Completed in December 1981. Lookback audit plan for top 25 payors was developed by OIG and MMS.

2. Site Security

Site Security Plans -- Underway; site security plans are to be prepared by operators.

Revised Regulations -- Underway. Final rulemaking is to be issued in the Federal Register in June 1983.

Departmental Policy -- Completed in April 1982. Department issued policy which holds lessees and operators responsible for site security.

Run Tickets -- Completed on May 11, 1982. Required by Department to be in the truck haulers' possession. It is also required by the Royalty Management Act of 1982.

Expand Inspector's Authority -- Completed in January 1983. Royalty Management Act of 1982 provides inspectors with greater authority.

State and Local Enforcement -- Completed in January 1983. The Royalty Management Act of 1982 gives delegation authority from the Secretary to State officials.

Undocumented Oil -- Completed in November 1982. This requirement will be accomplished as part of the DOI audit process.

3. Enforcement

Inspection and Enforcement Strategy -- Completed in August 1982. The enforcement strategy was issued in August 1982, and is currently being addressed in an MOU between MMS and BLM.

Fair but Firm Enforcement -- Completed in March 1982. A memorandum was issued in March 1982 and again in June 1982 which confirmed the commitment to firm, fair, and uniform enforcement requirements.

Civil Penalties: Site Security -- Completed. Civil penalties requirement was addressed in the Royalty Management Act of 1982.

Civil Penalties: Payments -- Completed. Civil penalties requirement was addressed in the Royalty Management Act of 1982.

Shut-in Site Security -- Completed. It is part of the Inspection and Enforcement Strategy.

Shut-in Underpayments -- Completed. It is a part of the Inspection and Enforcement Strategy. A separate memorandum was issued in September 1982 addressing the procedures.

Lease Cancellations -- Completed. It is part of the Inspection and Enforcement Strategy, and will be addressed in the MOU with BLM.

4. State and Indian Tribes

Secretarial Advisory Committee -- Underway; this effort will continue through January 1984. The Committee held its first meeting in January 1983.

Immediate Implementation -- Underway; this is an ongoing effort. Cooperative efforts have been and continue to be implemented with States and Indian Tribes.

Information Exchange -- Underway. Information exchange is an ongoing process.

Self-Sustaining Fund: Purpose -- Underway. The Royalty Management Act of 1982 authorizes reimbursement to States and tribes for costs incurred for audits, inspections, and enforcement actions.

Self-Sustaining Fund: Levy -- Pending legislation. Language is included in the appropriations request for the Department of Interior's FY 1984 budget.

Expanded Policy of Cooperation -- Completed. A letter was sent by the Secretary in February 1982 announcing an expanded policy of cooperation with State and Indian Tribes.

Sharing Penalties and Interest -- Completed in January 1983. Provisions for sharing interest and penalties are included in the Royalty Management Act of 1982.

Accelerated Payments to Indians -- Completed in April 1983. Prompt disbursements of royalties is called for in the Royalty Management Act of 1982.

Accelerated Payments to States -- Completed in March 1982. Prompt disbursements to States is required by the Royalty Management Act of 1982.

5. Organizational Issues

Study of BIA/BLM Royalty Management Functions -- Underway. This is completed in part by Secretarial Order 3087 transferring all mineral receipt functions to MMS, and all responsibility for onshore mineral leasing functions to the Bureau of Land Management (BLM). A MMS/BLM Memorandum Of Understanding is being prepared.

Create New Office of Royalty Management -- Completed in January 1982. The MMS was created with a Royalty Management Program Office.

Transition Program Director -- Completed in January 1982. The Chairman of the Minerals Management Board was the transition director.

Qualifications of Director -- Completed in January 1982. Financial and managerial qualifications were identified for selection of a Director.

Nationwide Search -- Completed in June 1982. Search was completed with selection of H.E. Doley, Jr. as the Director for MMS.

6. New Approaches to Royalty Management

Advance Implementation of Financial System -- Underway; scheduled for completion in March 1985. The AFS is operating.

Advance Implementation of Production System -- Underway; pilot phase program will begin operation in late 1983. The PAAS final design phase is completed.

Immediate Implementation of Production System -- Completed in April 1982. RMP provided enough resources to implement PAAS.

Modification of Improved Royalty Management System -- Completed in February 1982. Modifications called for by the Commission were included in systems design of AFS and PAAS.

Omnibus Royalty Management Improvement System -- Completed in March 1982 when proposed bill Senate Bill 2305 was submitted to Congress. The Royalty Management Act of 1982 was signed in January 1983.

Project Manager -- Completed in January 1982. Deputy Assistant Secretary for Energy and Minerals, Perry Pendley, was the project manager while he was the Acting Director of the MMS.

Annual Report -- Completed in February 1983. The Annual Report is currently available to the public.

Windfall Profit Tax -- Completed in November 1982. The AFS automatically calculates the windfall profit tax.

Increased Royalty Rate -- Completed. The recommended study found raising royalty rates to have both positive and negative effects.

Question: For the record please provide a list of all the work done under contract, including dollar amounts, in the development, initial implementation, and projected future implementation of the Auditing Financial System and the Production Accounting and Auditing System.

Answer: The following is a summary listing of contract support, as of May 1, 1983, for the Auditing and Financial System (AFS) and the Production Accounting and Auditing System (PAAS).

Contractor	Period of Performance	Cost	Scope of Work
Sterling Systems	1980-1981	$ 1.7 million	Preliminary Systems Design of the Auditing and Financial System (AFS)
American Management Systems/Price Waterhouse	1981-1983	$17.8 million	AFS: Design, Develop and Install ($7.6 million) Payor Conversion Assistance ($1.6 million) Enhancements/Tuning ($2.0 million) Production Accounting and Auditing System (PAAS): Design, Develop and Install ($6.6 million)
International Business Service	1981-1983	$ 5.1 million	Operation and Maintenance: Data entry; Computer Operations; Data Base Installation; Micrographics Operation
MITRE Corporation	1981-1983	$ 2.3 million	Systems Integration; Contract Oversight; Program Analysis and Management Support
Automated Systems Group	1981-1983	$ 1.6 million	Microfilm/fiche and Centralization of Records

Question: Also for the record, please provide a list of the 16 firms that will be participating in the PAAS reporting pilot project planned for early fiscal year 1984.

Answer: There are 14 firms that will be participating in the PAAS reporting pilot project. They are:

Amoco Oil Co.	Petro Lewis Corp.
Anadarko Production Co.	Santa Fe Energy Co.
Anderson Oil Co.	Shell Oil Co.
Buckhorn Petroleum Co.	Southland Royalty Co.
Conoco	Champlin Petroleum Co.
Coors Energy Co.	El Paso Natural Gas Co.
Helmerick and Payne	Ladd Petroleum Co.

Question: It is of course likely that even with the implementation of new auditing and accounting systems, errors such as a company's under valuation of gas or misinterpretation of regulations will occur. Based on your experience in these matters, to what degree can these error be attributed to "honest mistakes" and how much can be considered actual fraud? When or if fraud is suspected, does MMS handle the case like any other error case or is the Office of the Solicitor or Department of Justice notified?

Answer: Presently the review of company records is being performed in a typical audit fashion. To date, our audits have not uncovered findings which indicate that fraud has occurred. If fraud were suspected, the case would be reported to the Office of the Inspector General for review and appropriate action.

Question: Please provide for the record a list of the eight States and one Indian tribe taking part in the Cooperative Audit Program, a detailed description of the program, and the costs associated with the program for each of the participants.

Answer: The following eight States and one Indian Tribe are participating in the cooperative audit effort:

Wyoming	Colorado
California	Utah
New Mexico	Nevada
North Dakota	Navajo Tribe
Montana	

Under the cooperative effort now in effect, MMS participates in a joint sharing process in which the State and the Federal Government both contribute personnel and resources to accomplish the joint audit. MMS expects that the existing co-operative audits will be replaced by cooperative agreements under the provisions of Section 202, or possibly by delegation to the State under the provisions of Section 205, of the Royalty Management Act of 1982. Existing cooperative agreements will remain in effect until the regulations for Sections 202 and 205 are final and until there is a funding source for these two provisions of the new Act.

States are not required to report to us their costs associated with the cooperative audit efforts. The costs through March 31, 1983 for the States that have reported are:

Wyoming	$ 350,000
California	$ 43,000
Montana	$ 24,000
Colorado	$ 150,000

Question: What is the status of Interior's new royalty management program? Are things going as planned or are we behind schedule in implementing the new system?

Answer: The new Royalty Management Program (RMP), as a separate and viable identity within the Minerals Management Service (MMS), is progressing in its effort of bring the new royalty management systems to full installation and operation.

The Auditing and Financial System (AFS) began operation in February 1983 as planned. Royalty payors are being converted to the system in stages. At present, leases which produce 80 percent of revenue and 8 percent of the accounting line items are in the system. The conversion dates for the two

offices having the largest number of leases, Albuquerque and Casper, have been delayed somewhat. This is a result of action taken by El Paso Natural Gas and Northwest Pipeline Company to no longer pay royalties on behalf of some 400 royalty interest payors. This action has resulted in an unanticipated payor-conversions workload, creating an additional 10,000 to 12,000 payor information forms (PIF's) which must be processed. This increases the PIF data entry by 30 percent. The new schedule for completing these conversions is August 1983 for Albuquerque and January 1984 for Casper. The conversion for the El Paso payors will be performed separately from the Albuquerque conversion, with a scheduled completion date of April 1984.

The Production Accounting and Auditing System's (PAAS) preliminary design phase has been completed. The final design of the system is now underway and is scheduled for completion in mid-June 1983. The installation of the system will take place in phases beginning with a pilot program of 14 large producers. These firms will report November 1983 data on January 15, 1984. The OCS producers, which represent 70 percent of all volume of production, will come on line July 1984, reporting May 1984 data. The remaining reporters (approximately 600 intermediate reporters and 1,500 small reporters) will begin to report in 1985.

Question: The Production Accounting and Auditing System will not be fully implemented for over a year. What measures are being taken in the meantime to assure that oil and gas production from offshore leases is being accurately reported?

Answer: MMS is performing a manual comparison study of production reports versus sales/royalty reports for a statistically selected group of leases in the Gulf of Mexico. In addition, offshore regional/district offices will forward to the Royalty Compliance Division all inspection reports with suspected irregularities. These companies will then be audited by the Royalty Compliance Division audit staff.

Cost Recovery

Question. You have proposed in appropriation language for Fiscal Year 1984 to transfer $126,550,000 from onshore mineral receipts to the general fund of the Treasury to pay for the costs of the MMS royalty collection and the Payment-in-Lieu-of-Taxes (PILT) program. Why was this proposal for new authorization not first submitted to the proper authorization committee of the Congress rather than to the Appropriation Committees? As the proposal has never been considered by the authorizing committees, isn't it important that oversight hearings be held prior to accepting the proposal?

Answer. The Department chose to present this initiative as proposed FY 1984 appropriation language primarily because H.R. 7356 (the FY 1983 Interior Appropriations Act as originally passed by the House) contained a similar provision. The extensive hearings held on the Department's FY 1984 Budget request have afforded an opportunity for all parties to state their positions on this initiative.

Question. Did the Department discuss this proposal with the States prior to its submission to the Congress? If so, did the States take any part in the drafting of the legislative proposal? If not, for what specific reasons were the States not included in the development of this proposal?

Answer. No, this specific proposal was not discussed with the States prior to its submission to the Congress. However, the underlying principles which have formed a basis for the proposal have been discussed with the States and others in the past. For example, a proposal to offset the costs of improved royalty management procedures by deductions from mineral royalties was made by the Linowes Commission. In addition, in recent years the Department has made several proposals to modify the PILT program so as to eliminate overcompensation to States and their local governments from the Treasury for Federal lands with mineral production.

It should be noted that if this proposal is enacted, the Department intends to consult with the States on the way in which royalty management costs will be allocated among the States.

Question. Has the Department conducted an analysis of the financial impact of this proposal on each individual state and county? If so, what were the results of that analysis? If not, why not? Will you do such an analysis and, if so, when will it commence and when will it be completed?

Answer. The Department has conducted a preliminary analysis of the financial impact of this proposal on the States which share in Federal onshore mineral revenues. Total mineral leasing payments to these States are expected to continue to increase in FY 1984 and future years as a result of projected increases in Federal mineral leasing revenues. Whether or not payments will continue to increase in an individual State will depend on actual Federal mineral leasing revenues in that State. In FY 1984, payments will be reduced approximately $54 million below what they would have been without this proposal, of which about $10 million represents the recovery of the State's share of royalty management costs. The reduction of $54 million is, on average, about 6 percent of estimated FY 1984 payments and about 10 percent of actual FY 1982 payments.

We have not analyzed the impact on individual counties because the way in which mineral leasing payments are passed on to the counties is determined by each State. It is worth restating that the way in which PILT payments will be calculated will not be affected by this proposal. In addition, the Department is requesting the same level of appropriations for PILT payments in FY 1984 as in FY 1983.

Question. With respect to both the MMS royalty management program and the PILT program, and particularly the distribution of PILT funds, does this proposal treat all states and counties equally? If so, please provide for the record all pertinent data which led to the conclusion that this proposal in fact treats all states and counties equally. In presenting this information and analysis, attention should be payed to the continued application of all current State laws relative to the royalty management and PILT programs.

Answer. We believe that the States will be treated equitably under the proposal. The Minerals Management Service is reviewing alternative approaches to allocating royalty management costs that will reflect the workloads in individual States that share in these revenues. Total PILT program costs will be allocated on the basis of mineral leasing revenue. This will mean that the 23 States that receive mineral leasing payments will have those payments reduced by an amount that in total is slightly less than 50 percent of PILT payments to all States. Since Federal mineral leasing payments to the States grew by 348 percent between 1976 and 1982, we believe this proposal represents an equitable approach to sharing the burden of reducing Federal deficits in a period of fiscal constraints. As noted above, no analysis has been performed on the impact this proposal will have on counties because we do not know how or whether the States will pass reductions in mineral leasing payments on to the counties.

Private Sector Survey

Question: The President's Private Sector Survey on Cost Control recently published a report of the Task Force on the Department of the Interior which outlined several ways the Department could both produce cost savings and increase revenues. Included in this report are four cost saving proposals for the Minerals Management Service. For the record, please provide an analyses of each proposal and determine the degree of feasibility of each.

Answer: Regarding recommendation 6-1: Coordinate and Consolidate OCS permitting. The MMS, Corps of Engineers, and U.S. Coast Guard (USCG) already coordinate their activities to the maximum extent possible given the missions of each. The MMS and EPA are attempting to develop an MOU under which MMS's inspectors would monitor activities for compliance with EPA requirements. Implementation of this MOU would result in more work for MMS's inspection force. Since the MMS and USCG inspect for compliance with substantially different safety requirements, there is no opportunity for consolidation of their inspectors.

Essentially, MMS inspects for safety of drilling and production activities while USCG inspects for worker safety and seaworthiness of vessels. The inspections are so different in nature and content that MMS and USCG intentionally avoid joint inspection of facilities to prevent undue burden on lessee personnel. Consolidation of USCG and MMS inspection activities would require the MMS and USCG to hire expertise currently used by the other. This duplication of expertise could cost more than the current separate specialized compliance inspection activities.

In regards to completion and issuance of permits, Interior is presently bound by time frames set forth in the OCS Lands Act Amendments of 1978. MMS supports efforts to establish similar timetables for permitting actions for EPA, the Corps of Engineers, and the USCG.

Regarding recommendation 6-2: Abolish certain reporting to Congress. We support the recommendation for repeal of the sections of the OCS Lands Act Amendments of 1978 which require the Department of the Interior to report annually all OCS shut-in and flaring wells. However, in carrying out its regulatory responsibilities, including those contained in the report's recommendations, MMS will continue to collect and use the information on which the reports are based. Therefore, we do not believe that repeal of the reporting requirement would result in appreciable savings for the MMS. The only savings to be realized by discontinuing the report would be an insignificant amount associated with the preparation of the report, and by the GAO being relieved of the requirement that it annually evaluate Interior's methodology and report its finding to Congress.

Regarding recommendation 6-3: Eliminate Congressional approval of OCS refunds. The MMS and its predecessor organizations have supported the repeal of Section 10(b) almost since the enactment of the OCS Lands Act in 1953. The complex reporting requirements and the complicated manner in which one computes the time that must be allowed for Congress to review a refund serve to deny lessees use of money which is owed to them and are unnecessarily burdensome for Government and industry. One of the Linowes Commission recommendations was to urge Congress to change the time consuming process required of industry in obtaining refunds of royalty overpayments. A proposal to repeal Section 10(b) was included in the Administration's draft of the Royalty Management Act but was not included in the enacted bill.

Regarding recommendation 6-4: Modify production rate setting requirements. The Maximum Production Rate (MPR) alone, even though based on a well test, cannot tell the operator that the reservoir is sensitive to the rate of production. Given a one-well oil reservoir, the MPR, Maximum Efficient Rate (MER), and Maximum Attainable Rate (MAR) could be the same or they could vary greatly. Where the reservoir is rate sensitive, the MER would be determined to be less than the MPR at a given point in time. Much time and data are required to determine the MER. The MER continues to be important to those reservoirs which are sensitive to the rate of production. A reservoir which is rate sensitive may yield 1,000,000 barrels (bbl) of oil under a controlled production rate, yet the same reservoir might produce only one-fourth as much (250,000 bbl) if the rate of production is not properly controlled. The MMS is currently revising OCS Order No. 11 with the view of eliminating unnecessary reporting requirements. We support repeal of the MAR requirements of Section 606 of the OCSLAA of 1978.

General Administration

Question: As you report on page 93 of the justification, the U.S. Geological Survey will continue to provide a number of reimbursable services until MMS capabilities are fully developed. First, when does MMS anticipate its capabilities will be completely developed and, second, has MMS reviewed the costs associated with developing and maintaining all its own capabilities as opposed to allowing another agency, such as USGS, to continue providing services on a reimbursable basis? If so, what are the results of this analysis? If not, please conduct an analysis in this regard and report the results for the record.

Answer: The MMS anticipates that its accounting system will be completely developed by October 1, 1984. The MMS has studied the expected costs associated with development and maintenance of its own accounting system as opposed to allowing the USGS to provide the service. The analysis showed that it would be less costly for MMS to develop and maintain its own accounting system. General administrative services for MMS headquarters and the Administrative Service Centers are currently being provided in-house except for warehouse space that the USGS will continue to provide.

During FY 1985-1986, the MMS will collect and analyze its requirements for computer services and then determine the best method for their acquisition. If it is determined that computer services should be provided in-house, MMS expects to develop these capabilities fully during FY 1986.

Services for publications, mapping, visual products, and the library are currently provided by the USGS through reimbursable agreements. These services have been targeted for review under OMB Circular A-76 during FY 1984, and the outcome of the reviews will determine whether the services will be provided by the USGS, developed internally, or provided by the private sector.

Question: Finally, please provide for the record the number of personnel and the dollar amount associated with each of the functions under the Executive Direction and Administrative Operations subactivities.

Answer: The number of personnel and the dollar amount associated with each of the functions under the Executive Direction and Administrative Operations subactivities are given in the following tables:

Subactivities/Program Elements	FY 1983 Estimate		FY 1984 Request	
	Funds	FTE	Funds	FTE
Executive Direction				
Office of the Director	560	12	520	11
Office of Congressional and Legislative Affairs	166	5	210	6
Office of Minerals Management Information	211	4	215	4
Office of Equal Employment Opportunity	335	8	373	7
Directorate Subtotal	1,272	29	1,318	28
Assistant Director for Program Review	167	4	174	4
Budget Division	580	17	608	17
Internal Review Division	982	21	873	18
Appeals Division	229	6	239	6
Program Review Subtotal	1,958	48	1,894	45
Total - Executive Direction	3,230	77	3,212	73
Administrative Operations				
Administrative Direction and Coordination	234	5	185	4
Financial Management Division	326	6	336	6
Personnel Division	1,836	43	1,739	37
Procurement and General Services Division	2,381	49	2,321	44
Information Resources Management Division	1,627	47	1,649	45
Field Administrative Service Centers	3,486	91	3,127	73
Total- Administrative Operations	9,890	241	9,357	209

ADVISORY COUNCIL ON HISTORIC PRESERVATION

STATEMENT OF ROBERT R. GARVEY, JR., EXECUTIVE DIRECTOR

ACCOMPANIED BY:

JOHN M. FOWLER, GENERAL COUNSEL
THOMAS F. KING, DIRECTOR, OFFICE OF CULTURAL RESOURCE PRESERVATION
FRANK L. SUMAN, ADMINISTRATIVE OFFICER

BUDGET REQUEST

Senator McCLURE. We will turn to the Advisory Council on Historic Preservation. The fiscal year 1984 budget request is $1,051,000. This is a funding reduction of $449,000, down 25 percent from the 1983 appropriations to date. Presently, a $22,000 request for a pay supplemental is pending for 1983. On March 11, 1983, a proposed budget amendment of $495,000 was submitted concurrently to OMB and Congress, which, if adopted by the President, would increase the 1984 budget request to $1,546,000. The fiscal year 1984 budget request for the Council would support a staff of 25 full-time-equivalent positions. The proposed amendment would restore 11 temporary positions for a balance of 36 full-time-equivalent positions.

PREPARED STATEMENT

Today's witness for the Advisory Council will be Mr. Robert Garvey. We do welcome your testimony today, Mr. Garvey, and it will be placed in the record in full.

[The statement follows:]

STATEMENT OF ALEXANDER ALDRICH

Mr. Chairman and members of the committee, I am Alexander Aldrich, Chairman of the Advisory Council on Historic Preservation, and with me is Robert R. Garvey, Jr., the Council's Executive Director. It is a pleasure to appear before you again and to thank you for your support of the national historic preservation program and the work of this Council.

As you know, the principal functions of the Council are to advise the President and the Congress on preservation matters and to comment on Federal proposals that threaten properties important in American history, architecture, engineering, archeology, and culture. We have discharged our general advisory role by preparing reports and making recommendations on programs, policies, and legislation affecting historic and cultural resources. We have shared the results of our important studies on energy conservation and urban revitalization with this committee. Currently underway are efforts that will contribute to the shaping of national preservation policy for years to come. Mandated in legislation, a tax study concerns the impact of Federal tax law on historic preservation. Current Federal tax policy has been highly successful in stimulating private investments in the preservation of historic properties. Our upcoming report will

recommend ways to enhance the tax treatment of historic properties and improve the operation of the incentive positions.

As another part of our advisory role, we submit each year a report to the President and the Congress on the status of the national historic preservation program in which we discuss trends, achievements, problems, issues and developments in the Federal arena, in States and localities, and in the private sector. In this regard, I am pleased to present to you today a copy of our Report to the President and the Congress 1982, recently published.

Our other principal duty is to oversee the process the Congress devised under section 106 to protect historic properties from needless harm by Federal activities.

Under section 106, we review several hundred (1984 estimate–1,800) projects every year, ranging from the construction of reservoirs and highways to the rehabilitation of historic buildings and the issuance of Federal permits. Between 700 and 800 of these projects require consultation to deal with the effects on historic properties, with particular attention to mitigating adverse impacts. This process saves thousands of historic properties each year. It also saves the Government money for two reasons. First, because we reach a firm and definitive agreement with the Federal project agency as to treatment of historic properties, there is a clear record of that agency's compliance with the law, and successful legal challenges, halting or delaying worthwhile projects, are almost impossible. Second, our review quite often results in the selection of an alternative for protection of an historic property that costs less than the approach originally proposed by the agency. As you know, this was one of the reasons cited by the Congress for increasing our 1983 budget. You pointed especially to our work to help agencies more precisely target archeological survey activities. Since the time of congressional action on our fiscal year 1983 budget request, we have made an effort to obtain some follow-up information on the cost savings that have resulted from Council review, in those instances we could readily identify in which costs had been an issue. In the justification before the committee we noted savings of approximately $766,000.

As we approach fiscal year 1984, we are to promote greater efficiency in the administration of the national historic preservation program. Central to these efforts is the revamping of the basic section 106 review procedure. We have been hard at work developing refinements to a system that users—Federal agencies, State and local government, the private sector and the preservation community—have found to be essentially sound. Curently, OMB is reviewing a proposal that has been endorsed by the Council. It features an increased reliance on decisionmaking at the State and local level, with the Council focussing its resources on cases of significant conflicts between Federal projects and historic properties. throughout we have increased flexiibility, eliminated unnecessary paperwork and procedure, and encouraged public participation. We anticipate we will have this revised and improved system in place as fiscal year 1984 commences.

An important Council activity in the past few years has been our effort to help Federal agencies develop internal systems to deal efficiently with preservation requirements. We have emphasized programmatic consultation with agencies to harmonize the conduct of their principal missions with the policies of the National Historic Preservation Act.

The Council uses several mechanisms to attain this goal:

Programmatic memorandum of agreement, in which the Council, one or more State historic preservation officers, and a Federal agency agree on a program for treating historic properties in connection with some large or complex Federal activity; this program supersedes application of the regulations and is tailored to the needs of the agency, the particular activities, and the property types in question.

Counterpart regulations and internal agency procedures, in which the Council and an agency consult to develop an agency's internal preservation policies and systems, and embody these is some kind of guidance appropriate to the agency.

Supplementary guidance, in which the Council publishes nonbinding guidelines interpreting section 106 for use by agencies and others. In fiscal year 1982, we issued three documents which have greatly aided Federal agencies in meeting their section 106 responsibilities.

We have found that the resources invested in these efforts reap significant dividends over the long term for both the Council and Federal program agencies. For example,

the recently issued "Manual of Mitigation Measures" outlines appropriate treatment for commonly occurring effects on historic properties. These solutions reduce the need for involved consultaton and minimize disagreement over the appropriate course of action. The result is savings in time and money.

This programmatic approach to developing preservation systems is the key to sensitive consideration of historic preservation values by Federal agencies in the long run. With proper guidance and tailored procedures, agencies solve their own problems with less need for recourse to the Council.

The Congress recognized the wisdom of investing additional funds in programmatic review in fiscal year 1983. Our budget justification for fiscal year 1984 did not include funds for this important activity. However, we, too, are convinced of the substantial savings generated by these initiatives and have submitted a request to amend our fiscal year 1983 budget figure to continue funding at the fiscal year 1983 level. This appropriation level will allow us to continue at our current pace in the programmatic area.

In summary, Mr. Chairman and members of the committee, we plan to do our best to meet the challenges that face us and contribute to the preservation of our historic heritage.

INTRODUCTION OF ASSOCIATES

Senator McCLURE. Will you please introduce your colleagues, and we will then proceed directly to the questions.

Mr. GARVEY. Mr. Chairman, thank you very much. I am Robert Garvey, the Executive Director of the Advisory Council, and I am standing in today for our Chairman, Alexander Aldrich, who regrets very much his absence. Early this morning he had to take Mrs. Aldrich to the hospital. He had hoped to be here to testify.

I have with me John Fowler our General Counsel; Tom King, Director of our Office of Cultural Resource Preservation; and Frank Suman, our Administrative Officer. These are senior members of the Council staff whose participation may be helpful in addressing any questions you may have.

Senator McCLURE. Thank you very much.

Mr. GARVEY. I have Mr. Aldrich's statement, and I would be pleased to note quickly three or four points if that would be of interest to you, or answer questions, whatever is your desire.

COUNCIL FUNDING LEVEL

Senator McCLURE. The statement is made part of the record, and we will just proceed directly to the questions.

Last year it was stated by Mr. Aldrich that the amount you were requesting, $1 million, would be adequate to do a good job. Let me read just a few paragraphs from last year's hearing, and I quote:

I have observed the functions of the Council for many years. I used to be a State historic preservation officer. And when I was in that role, I felt that the Advisory Council regulations and function was in many cases a question of overkill—too much regulation, too much study, not enough delegation to an effective State agency. And I think that this budget reflects that philosophy that I had back in 1973. There is a point at which if the Council doesn't do its job it is going to be supplanted by a Federal case in the Federal courts. The fact that the Council and the Federal agency together do not adequately plan, including the historic planning function, then becomes a legal issue, and the cost of running the Council will be supplanted by the costs of Federal litigation. I think that what we are trying to do is to shave our costs down to

the point where we can still deliver enough service to the Federal establishment to, in effect, keep them legal, so that there won't be an upsurge in Federal litigation. That is our goal. It is not simply to cut, it's to cut down to a certain point where we are still effective.

Congress wasn't sure of that proposal last year, even with Mr. Aldrich's statement concerning its objective, and added $500,000 to the 1983 budget request.

This year, the President's budget is for $1,051,000. Apparently, you have had second thoughts. Your statement includes the following, and I quote from the statement today:

The Congress recognized the wisdom of investing additional funds in the programmatic review in fiscal year 1984. Our budget justification for fiscal year 1984 did not include funds for this important activity; however, we, too, are convinced of the substantial savings generated by these initiatives, and have submitted a request to amend our fiscal year 1984 budget figure to continue funding at the fiscal year 1983 level. This appropriation level will allow us to continue at our current pace in the programmatic area.

Would you care to explain why it is so hard to determine what the appropriate funding level should be for the Council?

Mr. GARVEY. Mr. Chairman, Sam Aldrich, has pointed out many times that if the Council does not adequately meet the legal requirement to respond to Federal agencies under the provisions of 106, then the Federal Government ends up in court.

Last year, as we were faced with a one-third budget reduction we assessed that situation and determined that we could meet the legal responsibilities in most cases. This is the least desirable and probably the least effective way of doing our work. That was the gist of the Chairman's testimony last year. He cited his experience as a State historic preservation officer, some 6, 7, or 8 years ago, and he pointed to that experience as the basis for his remarks.

Soon after our hearing last year we developed new regulations that would simplify the case-by-case review process. We even went to the extent of suspending certain portions of the existing regulations to do exactly what Mr. Aldrich had described in his testimony; that by simplifying the system it would be possible for decisions to be made at a different pace. In the meantime, we had a good deal of experience with the development of programmatic agreements with Federal agencies as opposed to project-by-project review. For instance we responded to a GAO report on archaeology that urged us to minimize or reduce the cost of extensive archaeological work in certain circumstances. Our experience had shown the benefits of programmatic agreements in which a strategy is designed to treat all affected historic properties in connection with some large Federal activity. Particularly careful attention is given to archeological projects, especially those of very sizable proportions. We look at ways and means of cutting costs to the Federal Government, as well as to the private sector. Those activities were the basis for the House action that increased our 1983 appropriation when we submitted our 1984 budget request to OMB, our appropriation for 1983 was not yet settled. To be consistent with the OMB ceiling, we requested only $1,051,000.

Subsequently, our appropriation for 1983 was enacted at $1,500,000, and Chairman Aldrich instructed me to prepare a budget amendment for OMB and the Congress. We pointed out the wisdom in maintaining the 1983 level that the Chairman believes is the most effective way of dealing with the substantial amount of work that comes before the Council. That amendment is still pending at OMB.

FISCAL YEAR 1983 OPERATIONS

Senator McCLURE. From the beginning of the fiscal year until the time you got your appropriation of $1½ million, at what level were you operating?

Mr. GARVEY. We had anticipated a staff reduction from 40 to 25 full-time equivalent positions and we had moved down through attrition and reorganization to a level of 31 on October 1. We stayed at that level until the time the appropriation was enacted.

If we had continued at the first quarter level, we would have spent about $1,200,000. We took a gamble. We knew that the House was recommending $1,500,000. Before the appropriation was passed, we knew that if we continued to operate at the first quarter level, and if the appropriations were in fact $1 million, then we would have to accommodate the overage in the last three quarters of the year.

Senator McCLURE. So you had reduced from 40 to 31? Did you go back up above the 31, in anticipation of that increased appropriation?

Mr. GARVEY. We did not go back up in anticipation. After the appropriation was enacted we were at 31 FTE which was above the original OMB ceiling of 25, so in fact we were over ceiling slightly for 10 or 11 weeks.

Senator McCLURE. Did you stay at 31 for the balance of the fiscal year?

Mr. GARVEY. No, sir, we are now back up to 36.

Senator McCLURE. And was your expenditure during that period of time the $1.2 million?

Mr. GARVEY. I believe that's the rate, and I might check with Mr. Suman. Yes; my recollection is correct on that.

LITIGATION

Senator McCLURE. Mr. Aldrich indicated at some point that if you didn't get your job done correctly you would end up in court.

Did you see, as a matter of fact, any increase in litigation?

Mr. GARVEY. Not in that 10-week period, Mr. Chairman.

Senator McCLURE. Or in the balance of your fiscal year?

Mr. GARVEY. Well, we are now in the second or third quarter, or about the middle of the fiscal year.

Senator McCLURE. Are you experiencing more litigation than you had the year before?

Mr. GARVEY. I might ask my General Counsel, John Fowler. I don't recall precise numbers.

Mr. FOWLER. Mr. Chairman, I would be happy to provide detailed numbers and lists of cases for the record. My impression is that we are seeing a rise in litigation based on section 106. Some of this has come about, I think, because of the attitudes of the Federal agencies toward complying with section 106 responsibilities. Understand the order of magnitude we are dealing with right now; we normally see six to eight lawsuits filed in any given year under section 106. We have had a flurry of activity over about the past 6 months, so that number might double for this fiscal year.

Senator MCCLURE. Will you provide for the record a breakdown of the filing of lawsuits. You have referred particularly to 106. I would like to have that information as well as information concerning lawsuits that arise under other sections and provsions.

Mr. FOWLER. I would be happy to.

[The information follows:]

LITIGATION UNDER SECTIONS 106 AND 110(F)G OF THE NATIONAL HISTORIC PRESERVATION ACT

The following tables show the cases filed under sections 106 and 110(f) of the National Historic Preservation Act for the last 5 years. Table 1 contains a summary of cases per year. As the table indicates there has been a steady increase of litigation. In 1982 there was a particularly large number of filings, most of which occurred during the latter half of the year. Table 2 provides additional details on case names, filing dates, and gives a brief synopsis of the issues involved.

TABLE 1

Year	Number filed under—	
	Section 106	Section 110f
1983	2	0
1982	8	1
1981	5	1
1980	3	0
1979	3	0

TABLE 2

Case name	Court	Filing date	Issues
National Trust for Historic Preservation	D.D.C.	Apr. 19, 1983	Suit to prevent NASA from demolishing Appolio launch umbilical tower at Cape Canaveral.
Historical Nashville v. *Caldwell.*	MD Tenn.	Feb. 24, 1983	Suit to enjoin GSA from disposing of Union Station.
Algonquin v. United States.	D. Colo.	Dec. 8, 1982	Suit to require USDA to comply with NHPA with respect to Telluride Ski Area.
Railroad Passenger v. *ACHP.*	D.R.I.	Nov. 23, 1982	Suit to enjoin abandonment of railroad station in Providence.
Del-AWARE v. *Baldwin*	E.D. Pa.	Nov. 17, 1982	Suit to prevent construction of water facility on Delware River.

TABLE 2—*Continued*

Case name	Court	Filing date	Issues
San Francisco Cable Car Riders v. Lewis.	N.D. Cal.	Oc 1982	Suit to enjoin S.F. cable car modernization.
Whitedirt v. Rowland	D. Mont	Aug. 10, 1982	Suit to prevent BLM from approving oil exploration on Indian land.
Phoenix Bldg. Co. v. GSA	N.D. Ala.	Aug. 3, 1982	Suit challenging award of lease.
Fill the Pool Comm. v. Johnson City.	N.D. N.Y.	Aug. 1982	Action to prevent demolition of pool acquired with DOI funds.
Northwest Ind. Cemetary Prot. Association v. Peterson.	N.D. Cal.	July 30, 1982	Challenge to Forest Service plans regarding Gasquet-Orleans Road.
National Trust for Historic Preservation v. Corps of Engineers.	S.D. Ohio	June 22, 1982	Challenge to Corps' issues to permit for Barge facility in Ohio River near Anderson Ferry.
Vieux Carr' Prop. Owners v. Pierce.	E.D. La.	Dec. 2, 1981	Challenge to HUD UDAG project near French Quarter in New Orleans.
Wicker v. Pierce	N.D. Ill.	Aug. 18, 1981	Challenge to HUD housing project.
Bayou St. John	E.D. La.	July 6, 1981	Challenge to Corps permit.
Crosby v. Young	E.D. Mich.	Apr. 16, 1981	Challenge to demolition of Detroit neighborhood (HUD grant).
NRDC v. city of New york, and related cases.	S.D. N.Y.	Apr 3, 1981	Challenge to demolition of Morosco Theatre (HUD grant).
Hopi Tribe of Indians v. Block.	D.D.C.	1981	Action to prevent USDA from authorizing expansion of ski facility near San Francisco Peaks.
National Center for Pres. Law v. Landrieu.	D.S.C.	Feb. 25, 1980	Challenge to HUD & EDA grants for Charleston Ctr.
Smoot v. Andrews	E.D. Va.	Feb. 20, 1980	Action to stop waterfront development program funded by DOI.
Capital Hill Restoration Society v. Heim.	D.D.C.	Jan 25, 1980	Action against comptroller.
Neighborhood Development Co. v. HUD.	W.D. Ky.	Oct 29, 1979	Action re preservation programs.
Preservation Coalition v. Landrieu.	D.Id.	Sept. 24, 1979	Challenge to HUD urban renewal project.
Meeton v. Oklahoma City	W.D. Ok.	July 9, 1979	Suit to restrain demolition of building.

COUNCIL WORKLOAD

Senator MCCLURE. Thank you.

Section 106 of the National Historic Preservation Act requires that Federal agencies take into account the effect of their actions on historic properties and that they provide the Council a reasonable opportunity to comment on such actions.

Mr. Garvey, in reviewing your justification, it is necessary to discuss the Council's workload. On page 14, table 1 provides the workload estimates for 1983–84. When we compare your estimated 1984 workload with the additional cases to be reviewed—if your budget is adopted—

we see that you won't be handling an increased number of cases but instead will review the same number in greater detail. Is that essentially correct?

Mr. GARVEY. Mr. Chairman, I would like for Mr. King, who heads the office which deals with that portion of our work, to respond.

Senator MCCLURE. Sure.

Mr. KING. Mr. Chairman, I believe that the justification refers to the fundamental thrust of Mr. Aldrich's statement last year. With essentially a $1 million budget, we anticipate being able to handle the basic case-by-case section 106 caseload.

In other words, when an agency submits something to us, we will be able to work on it and crank it out on a reasonable scale. We will not be able to undertake the programmatic review of Federal programs that in the long run diminishes the number of case-by-case conflicts, and further, we will not be able to undertake postagreement review, which is where we largely review archaeological cases to seek to reduce archeological survey and salvage costs.

And so the projection, I believe, reflects the fact that with the amendment we will still be reviewing essentially the same number of individual cases, because we review only those cases that come to us. An increase in our budget doesn't increase the number of cases someone else submits to us.

But, with the amendment we will be undertaking the programmatic review and the postagreement monitoring that we would not otherwise be able to undertake.

Senator MCCLURE. It does not reflect additional details in the review of the cases that come to you?

Mr. KING. It is likely that we would devote a little more time to individual cases, but I would be at a loss to quantify that.

PROGRAMMATIC AGREEMENTS

Senator MCCLURE. The major element of the increase will come in the programmatic agreement activities, is that true?

Mr. KING. That's correct.

Senator MCCLURE. Is there any realistic way for us to understand the programmatic inpact of an additional 60 memorandums of agreement or of an additional 11 programmatic memorandum of agreement being conducted?

Mr. KING. If you mean that there is a way to represent the impact in a statistical manner, we have some projections. I believe that in our budget justification we show a projection based on the programmatic agreement that we are negotiating with the Office of Surface Mining. The projection shows a substantial decrease in the number of individual consultations and exchanges of paperwork that should result from that particular agreement.

Senator MCCLURE. But I am looking at the fact that you have got 60 memoranda of agreement and you have an additional 11 programmatic memoranda of agreement being conducted. Is there any way for us to

understand what impact that has upon the programs you're reviewing or coordinating? Is there any way to measure what that does to the workload and your output level?

Mr. KING. I think there probably is, Mr. Chairman. We have not undertaken that effort. We could probably do that in consultation with a selected number of agencies.

Senator MCCLURE. I wouldn't want you to embark on a major study that would consume all your limited resources just to provide that information. But I do think we need to understand what the relationship between the two is, and what you require of them, as well as the impact upon the performance of the duties that are not necessarily associated with historic preservation.

We need to understand what the cost of this program is, as well as the indirect cost of the administration of other programs. If you could in your consultation with them give us some estimate of what that indirect cost is, and to the extent they can reflect their direct costs, that would be helpful in an evaluation of the program.

[The information follows:]

PROGRAMMATIC IMPACT

To represent this impact, we selected two programmatic memoranda of agreement that have been in place for 1 year or more, and obtained information from the two agencies involved. We are grateful to the National Park Service, southwest region, and to the Custer National Forest for their assistance.

1. THE NATIONAL PARK SERVICE GENERAL MANAGEMENT PLAN PMOA

This PMOA calls for the NPS to afford the Council and the relevant State historic preservation officer the opportunity to offer comments during the preparation of general management plans for national parks; these comments are taken into account in finalizing the plans. Individual actions that are consistent with each park's plans then need not be submitted to the Council for review under section 106. The PMOA also establishes standards to be used internally by the NPS in its plan development and implementation: these include both technical standards and standards for the participation of NPS professionals in the review of proposed actions.

The southwest region of the NPS, which has a considerable number of historic parks and parks with historic components, advises us that between August 13, 1980 and May 12, 1983, 380 transactions occurred that, absent the PMOA, would have required seeking the Council's comments. Since all were conducted in a manner consistent with the PMOA standards and the pertinent general management plan on which the Council had consulted, they were not submitted for Council review. Each transaction was reviewed by knowledgeable NPS professional staff.

Since virtually all of the transactions reported were of a relatively minor nature, it is probable that most if not all would have been processed by the NPS, State historic preservation officer, and Council as "no adverse effect determinations", which are processed by the Council in 10 days or less. Allowing the State historic preservation officer a similar time period and assuming the need for some preparation time and a few days in the mail, we assume that it would cost the NPS about 30 days to afford the Council a reasonable opportunity to comment on each transaction individually. This indicates that the existence of the PMOA has saved the southwest region approximately 11,400 days over the last 3 years. Of course, these are not necessarily all working days, but include days when material would have been in transit and when non-NPS staff (SHPO and Council) would have been reviewing it. Assuming, however, a modest figure of 2 professional staff days per transaction that would have been devoted by NPS to the preparation of documents and to discussions of material with the SHPO and Council,

we conclude that the PMOA has saved the southwest region some 760 staff days since August of 1980. We estimate that the southwest region put about 60 staff days into work with the Council and SHPO's over the same time period in consultation on general management plans and similar documents under the PMOA; thus a total of 700 staff days were actually saved. Assuming that the average grade of a professional staff member in NPS working on historic preservation review is GS–9 ($77.91/day), this means that the existence of the PMOA has saved NPS $54,537 over the last 3 years in professional salaries in the southwest region.

Affording the Council a reasonable opportunity to comment on each transaction would have required clerical expenses as well, in preparing documentation, routing correspondence, mailing, filing, et cetera. Assuming 10 dollars' worth of clerical time per transaction, and $2 per transaction in postage, we conclude that, absent the PMOA, the NPS would have spent an additional $4,560 on section 106 review; hence the total saving realized by the NPS southwest region from the existence of the PMOA over the last 3 years is $59,097.

2. THE LITTLE MISSOURI GRASSLANDS PMOA

This PMOA deals with a common but very poorly known type of prehistoric archeological site, the lithic scatter, which occurs along ridges that extend into the Little Missouri Grasslands and are favored locations for oil and gas exploratory drilling. The Forest Service encountered repeated conflicts between oil and gas exploration and the archeological sites; these conflicts arose primarily from the fact that, under both Department of the Interior and Advisory Council regulations, before a conclusion could be reached about what to do with a site scheduled for damage by a drilling operation, it was necessary to determine formally whether it was eligible for the National Register of Historic Places. This required the submittal of documentation to the National Park Service, and often involved considerable followup discussion and revisits to the field to obtain further information needed by NPS for its review. Once the site in question was determined to be eligible for the Register—and since such sites can be important in understanding the little-known prehistory of the northern Plains, most were found eligible—the Forest Service then had to consult with the SHPO and the Council to determine what to do with each one.

In most cases, mitror salvage excavation was the chosen treatment of the site. The PMOA provided that for purposes of urgent oil and gas exploration work, lithic scatter sites would be assumed to be eligible for the Register and routinely either avoided or subjected to salvage excavation, without consulting NPS regarding eligibility or the Council regarding treatment; at a review meeting scheduled to occur shortly, the status of this site-class will be reassessed based on the information gathered from the salvage excavations, evaluation, and treatment strategies will be refined.

The Custer National Forest reports that over the 17 months life of the PMOA so far, it has handled a large number of oil and gas exploration projects involving anywhere from 2 to 10 lithic scatter sites apiece. In some cases it has been feasible to avoid the sites; in other cases they have been salvaged. All have been handled within the time constraints imposed by the involved oil or gas company's project planning and the extreme weather conditions of the area; preliminary analysis of the National Forest's data indicates that the average elapsed time from initial contact by an oil or gas company to the adoption of an agreed-upon plan for handling the lithic scatter sites affected by a project is about 25 days. The National Forest's Zone Archeologist estimates that, had the normal process been followed requiring determinations of eligibility from the National Register before decisions were made about treatment of the sites, twice to three times as much time would have been required to handle each case.

The Custer National Forest currently handles its historic preservation workload with three full-time members; one at grade 12 ($112.96/day) and two at grade 9 ($77.91/day). Assuming that on the average, one staff member handled about four projects at any one time, and dealth with each in 25 days (hence devoting 6.25 days to each project), the cost to the Forest Service of handling each project under the PMOA has been between about $500 and $700, depending on the relative allocation of grade 9 and grade 12 time to the project. This cost would have been doubled or tripled (ca. $1,000/$1,500—$1,400–$2,100 without the PMOA). Unfortunately, the Custer National

Forest has not been able to supply us with the total number of projects processed under the PMOA, so we are unable to generate projections of total cost impacts. More important than the dollars saved by the National Forest, however, may be the fact that both time and money were saved by applicants for oil and gas exploration permits, for whom the loss of a day may translate into the loss of thousands of dollars in personnel and equipment idled.

We realize that the above figures are full of uncertainties, and that they are based on assumptions that may not always be correct. The consultation process prescribed by the Council's regulations and the processes that are embodied in the various programmatic memoranda of agreement are both dynamic, however, and it is extremely difficult to represent them in abstract forms that make quantitative comparisons feasible. The major impacts of both PMOA's we investigated may be summed up in nonquantitative form by the statements of both the NPS and Forest Service professionals who work with the agreements; each group said that with its PMOA, it is feasible to do a creditable job with existing personnel and time, and that without it, this would not be possible.

ONGOING PROGRAMMATIC AGREEMENT EFFORTS

Mr. GARVEY. Mr. Chairman, the Council met 2 weeks ago, and one item on the agenda was a discussion of the current programmatic agreement effort, and we developed for the members of the Council, a short presentation that lists some of the ongoing programmatic agreement efforts. This may be of some value in answering the question you have.

Senator MCCLURE. Would you provide that for the record, please.

Mr. GARVEY. I'd like to put that in the record. We also gave the Council members a chart identifying cost saving activities, as Dr. King has just described, of $2,421,000 so far in this fiscal year. These two pieces of information have some relation with each other.

Senator MCCLURE. We'll place that in the record also.

Mr. GARVEY. I'd like to do that.

[The information follows:]

CURRENT PROGRAMMATIC MEMORANDA OF AGREEMENT

Federal Surface Coal Program: We received a completely revised new draft of the PMOA from the Office of Surface Mining in mid-March, with the request that we and the National Conference of State Historic Preservation Officers review it and determine its acceptability. We found the draft an improvement even over previous drafts, and the Executive Director accordingly signed it to indicate our support of it. The National Conference has now reviewed the draft and has several reservations. Consultation will continue, while the draft moves through the internal review process within the Department of the Interior preparatory to Secretarial signature.

National Science Foundation: The PMOA covering NSF archeological research activities is now in its third draft, and a mutually acceptable version is expected soon.

Montana Land Transfer: The PMOA covering transfer of 26,000 acres of Federal land in Montana has been ratified by the Chairman.

Bureau of Land Management Land Sales: The PMOA covering the BLM's efforts to advance the President's policy of accelerated sale and other disposal of unneeded Federal lands has been completed in draft and is under review by all SHPOs, BLM field offices, and other interested parties.

Peacekeeper Missile: A new PMOA for the Peacekeeper (formerly MX) Missile has been drafted and will shortly be distributed for review; this will replace the existing but moribund PMOA covering deployment of the "racetrack" MX.

Eastern Oregon Forests: A PMOA establishing methods for dealing with common archeological sites on seven National Forests in eastern Oregon has been agreed upon in draft, and final execution is expected soon.

Bonneville Power Authority: A PMOA draft covering weatherization assisted by the BPA has been received from BPA after consultation, and is undergoing review.

San Juan Basin: A 4-state, multi-agency PMOA establishing consistent approaches to historic property identification and treatment in connection with energy development in the San Juan Basin of New Mexico, Arizona, Colorado, and Utah is undergoing continuing review by the Federal agencies involved.

Central Arizona Project: A PMOA covering the Bureau of Reclamation's Central Arizona Project is circulating in draft for comment.

Garrison Diversion Project: A PMOA for the Garrison Diversion Project, an irrigation project supported by the Bureau of Reclamation in North Dakota, is being re-drafted after consultation.

Veterans Administration Cemetery Management: A PMOA on management of VA cemeteries is undergoing internal VA review after execution by the Executive Director.

California Desert Conservation Area: Consultation is ongoing among the Council, BLM, and California SHPO concerning amendments to the PMOA covering BLM actions in the California Desert Conservation Area.

KNOWN RECENT* CASES IN WHICH ADVISORY COUNCIL REVIEW
HAS RESULTED IN DOCUMENTED COST SAVINGS
TO FEDERAL GOVERNMENT

Case	Circumstance	Cost of proposed treatment	Cost of agreed-upon treatment	Saving
Detroit Central Automated Transit System (UMTA)	Consultant proposed archeological data recovery project; submitted by transit authority to Council. Council viewed proposal as excessive, suggested seeking 2nd opinion with revised scope.	$319,500 (est.)	$93,000	$226,500
Fort Vancouver Kanaka Village, highway impacts (FHWA)	Project as designed would destroy an important archeological site, requiring expensive salvage. Council suggested limited salvage and overfilling; FHWA concurred.	$1,200,000 (est.)	$100,000	$1,100,000
Denver Main Post Office (USPS)	Agency proposed rehabilitation involving manual grinding of marble exterior; Council objected and consulted to find cheaper, less damaging methods, which were adopted.	$575,000 (est.)	$75,000	$500,000
Amarillo Medical Center, Texas (VA)	Agency proposed extensive building modifications to meet life safety codes. Council offered design suggestions for scaled-down project that would better respect the building's architecture.	$350,000 (est.)	$200,000	$150,000

Umatilla Bridge, Oregon (FHWA)	Extensive data recovery proposed at archeological site threatened by bridge construction was reduced through consultation when it was found that much of the site could be preserved under fill.	$222,000 (est.)	$116,000	$106,000
Oxbow, Horseshoe Land Exchange, Montana (BLM)	Agency proposed to exchange land containing three "ordinary" archeological sites for land containing one more significant site. Salvage excavations would normally be needed on the three sites exchanged out of Federal ownership. Council encouraged proposal to "trade" the sites without salvage.	$339,000 (est.)	0000	$339,000
McKinley Coal Mine, New Mexico (OSM)**	Intensive archeological survey proposed to "clear" surface coal mine under preservation statutes. Council consulted with responsible agency and applicant to develop a more targetted approach.	$750,000 (est.)	$250,000 (est.)	$500,000 (est.)

TOTAL SAVINGS: $2,421,500 (Federal or other public)***
$500,000 (Private)

* "Recent means cases closed or substantially concluded during FY 1982 or 1983. Record is based on an informal search of the case files and follow-up consultation with agencies.

** Costs and savings noted in this case are not to the Federal Government but to the regulated private coal mining company. Since work has not yet been completed, all costs are estimated.

*** All figures above may include both Federal and State/local share of costs where applicable.

DRAFT REGULATIONS

Senator MCCLURE. I notice the Council has appointed three task forces which have already been at work during this fiscal year. The new draft regulations for implementing section 106 of the National Historic Preservation Act were proposed by the task force on regulations review and were adopted by the full Council on March 11, 1982.

When does the Council expect OMB to conclude their review of these regulations?

Mr. GARVEY. Mr. Chairman, we expected their review about 8 months ago, but, unfortunately, we were disappointed. We have made, I think, the best possible effort. The task force is composed for Council members from Federal agencies as well as some of our public members. These people worked industriously for some 8 months, developed a set of regulations that were acceptable to the full Council, but were unacceptable to OMB. We made further adjustments that we thought met the OMB objections and subsequently found that our revision was not acceptable, or to be more precise, they have not yet been either accepted or rejected by OMB. But the matter has now been referred to the Justice Department to deal with the legality of it. If you have an interest in that subject, John Fowler, our General Counsel, has been the key man on the regulatory reform efforts undertaken by Chairman Aldrich for almost 2 years and perhaps he could answer any further questions you might have.

Senator MCCLURE. I'm more at the moment concerned with when this may come to a point of decision.

Mr. FOWLER. Mr. Chairman, the last set of changes that OMB asked us to make were adopted by the Council in late October. We submitted the regulations to OMB for review, as required under Executive Order 12291, in late October. OMB has a 10-day review period, and we were advised at the expiration of the 10-day review period that the review period was being extended indefinitely. In February we learned of legal questions regarding the legal sufficiency of the regulations. We were provided a copy of an OMB legal memorandum and we responded to the issues presented. We thought we had taken care of the legal questions but apparently had not. On April 8, the matter was referred to the Office of Legal Counsel of the Justice Department.

They are undertaking their review right now. I would anticipate a response from the Justice Department possibly by the end of this month. If the legal question is resolved in our favor, which I am personally confident it will be, then I would hope we would be able to move ahead with the publication of the regulations.

Mr. GARVEY. Let me say, Mr. Aldrich wrote the Attorney General urging him to see that this is done promptly, because we have helped the situation by suspending certain parts of the regulations and doing other things, and it is time to more forward with true reform of this regulatory process.

Senator MCCLURE. Well, I understand that, and I would hope it does come to a conclusion soon. Obviously, you negotiated over a period of

8, 9, or 10 months, and it didn't result in anything, and 4 months later you get back into a referral to the Department of Justice. It's been well over a year since you started the process. Apparently you hope for an early resolution, and I know it's difficult to predict when. But I would hope it would be very soon.

Does the task force on regulations review have any estimate as to how these regulations will affect the number and types of decisions being made at the Council?

Mr. GARVEY. Once again, Dr. King can best address that subject, Mr. Chairman.

Dr. KING. Mr. Chairman, we developed some figures, which I don't have before me at the moment, but we could provide them for the record. In general, we anticipate that the number of cases actually coming to the Council would not decrease. The form in which they would arrive, including documentation would change. That would make it important to us to streamline our review. But the primary impact would not occur at the Council but at the agencies where there would be a substantial reduction in the amount of trouble that they encountered in preparing each case.

Senator MCCLURE. Will you provide for the record the numbers you referred to?

Dr. KING. Certainly.

[The information follows:]

Effect of Regulatory Changes

This analysis was prepared for Council use during the final drafting of the development of a new regulation draft by the Task Force on Regulations Review. Although the final draft of the regulations adopted by the Council varies somewhat from the draft analyzed here, primarily in its provision to Federal agencies of additional flexibility in their means of obtaining Council comment, the analysis remains a reasonably accurate though necessarily hypothetical projection of the impacts of the proposed new regulations on the Council's work.

JANUARY 1982

EXECUTIVE SUMMARY: REVISION OF ADVISORY COUNCIL COMMENTING PROCESS

Section 106 of the National Historic Preservation Act requires that the Advisory Council on Historic Preservation be afforded a resonable opportunity to comment on any Federal or federally-assisted undertaking affecting an historic property. The Council has developed a process for rendering its comments that has for almost 10 years featured consultation among the Council staff, the proponent agency, and the State Historic Preservation Officer, resulting in an agreement on what will be done to avoid or reduce adverse effects.

The Council's Regulations Review Task Force has developed a proposed revision of the current regulations that materially streamlines the review process, reserving full consultation for cases in which there is considerable controversy or complexity, and stressing agency initiative in developing plans for treating effects, in consultation with the State Historic Preservation Officer. This approach will result in major savings in time and paperwork while avoiding any reduction in protection for historic properties.

An alternative to the preferred approach is to eliminate the consultation and agreement approach, instead having the Council review agency project plans once they are developed and render formal comments on them. This approach will increase the flow of paperwork, eliminate early agreement in favor of antagonistic comment-and-response late in project planning, increase agency vulnerability to litigation, reduce the protection given historic properties, and be difficult for the Council to administer.

Projections of staff and fund allocations under the current regulations, the Task Force proposal and the "straight comment" approach indicate that the Task Force approach would leave staff levels and funding requirements essentially unchanged from the current approach, while the "straight comment" approach would reduce requisite staff by 1 person and funding by another $30,000.

Assuming adoption of the Task Force proposal, and rapid movement toward its embodiment in final regulations, the new system could be in place by the end of Fiscal Year 1982. However, this timetable could be seriously upset if levels of effort in historic preservation among Federal agencies decrease, if State Historic Preservation Officers are unable to participate in the review process, or if large number of local governments are required to undertake "Federal" review responsibilities as recipients of block grants.

REVISION OF ADVISORY COUNCIL COMMENTING PROCESS: PROPOSED NEW PROCESS AND IMPLICATIONS.

Introduction

Section 106 of the National Historic Preservation Act requires that all Federal agencies take into account the effects of their undertakings on historic properties and afford the Council a reasonable opportunity to comment. Since 1972, the Council has exercised its commenting opportunity through a process in which, each time it is determined that a Federal project will have an adverse effect on an historic property, a consultation process is undertaken to develop and agree upon methods to avoid or mitigate

the impact. In recent years, with the growning sophistication of internal agency planning processes, this process has become less uniformly necessary to ensure reasonable consideration of historic properties, and has become unnecessarily burdensome in some instances. The Council is in the process of revising its regulations to streamline the commenting process and render it more effective while reducing its burden of paperwork and review. This paper briefly outlines the approach being advised by the Task Force and a major alternative proposed by the Department of Transportation, along with the staff and budgetary implications of each.

Task Force Proposal

The draft revised regulations distributed by the Task Force on Regulations Review to all Federal agencies on December 15, 1981, includes the following notable features:

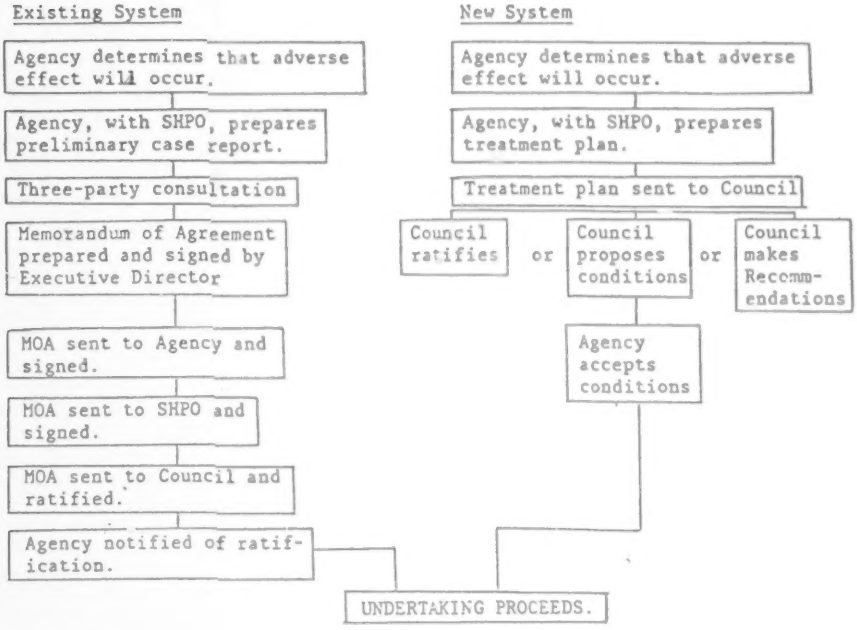
1. Consultation may occur with respect to effects on "classes of properties" predicted to be subject to effect. This will allow consultation to occur more readily when an agency develops general land-use plans or very early project plans, thus allowing conflicts to be identified and resolved earlier.

2. The requirement that each historic property be determined eligible for the National Register by the Secretary of the Interior before consultation can begin is eliminated. Eligibility is to be established by the agency official in consultation with the State Historic Preservation Officer (SHPO). This will eliminate much paper flow and delay.

3. The agency official and the SHPO may work out a plan for treating effects on historic properties, and submit this plan to the Council for a 30-day review. This replaces the old system which triggered formal three-party consultation every time an adverse effect on a property was identified. The full consultation process will be reserved for controversial or complex cases, where the SHPO and agency cannot agree on a treatment plan, where the Council objects to such a plan, or where members of the public or local government object to a plan.

This will greatly reduce paper-flow by minimizing the number of cases requiring circulation of agreements. The flow-chart below illustrates the differences.

Comparison: Paper-Flow under Existing Regulations and Proposed Draft Regulations, in the Case of a Non-Controverial Federal Action Having an Adverse Effect on an Historic Property.


Existing System
Agency determines that adverse effect will occur.
Agency, with SHPO, prepares preliminary case report.
Three-party consultation
Memorandum of Agreement prepared and signed by Executive Director
MOA sent to Agency and signed.
MOA sent to SHPO and signed.
MOA sent to Council and ratified.
Agency notified of ratification.
New System
Agency determines that adverse effect will occur.
Agency, with SHPO, prepares treatment plan.
Treatment plan sent to Council
Council ratifies
or
Council proposes conditions
or
Council makes Recommendations
Agency accepts conditions
UNDERTAKING PROCEEDS.

Although the full consultation process will be available for cases that need it, the process will be more flexible than it is now. These changes will not reduce the substantive review of projects and programs by the staff but they will reduce paper-flow and eliminate the danger of consultation in the interests of form rather than function. Thus protection will not be lessened, but efficiency will be enhanced. Review of treatment plans will provide an additional benefit, by generating data on agency performance for use in fulfilling the Council's responsibilities to review and make recommendations about Federal agency programs (NHPA Sec. 202(a)(6)) and to evaluate such programs annually for the President and Congress (NHPA Sec. 202(b)). Review of treatment plans will also be a mechanism by which the Council can carry out the recommendation of the General Accounting Office to ensure that archeological data recovery projects are justified and cost-effective. Based on reviews to date, we estimate that more effective review of such projects will result in savings to the Government of at least $3 to $4 million annually.

The cumulative effect of these changes, and others of a technical nature, should be to:

1. shift project review forward in the planning process, minimizing "last-minute" conflicts;

2. make it possible to consult more readily on the effects of programs and large-scale projects still in the conceptual stage, rather than on particular effects on particular properties;

3. streamline the handling of cases;

4. give increased flexibility to agencies in working out arrangements to treat effects;

5. place greater reliance on the SHPOs to ensure that preservation solutions are appropriate;

6. allow Council staff to focus review on the substance of agency plans and programs rather than on their form, thus increasing effectiveness and building a more useful record for use by the Executive and the Congress in reviewing agency programs and budgets; and

7. retain the formal consultation process for those cases that require it to achieve solutions in the public interest.

Estimate of Time and Dollar Savings Under Task Force Draft

1. Effect of streamlining the Determination of Eligibility Process:

   A. Time: saves at least 2 weeks of planning time, often much more, per undertaking.

   B. Money: saves cost of preparing documentation for transmittal to National Register, cost of transmittal, cost of preparing additional documentation to answer National Register's questions.

2. Effect of focussing consultation process on controversial cases.

   A. Time: saves an average of about 4 weeks on review of each non-controversial case.

   B. Money: saves cost of circulating Memoranda of Agreement, cost of negotiating to meet procedural rather than substantive requirements.

   Allows Council staff to focus review on more substantive issues. This is expected to result in a saving of $3 to $4 million annually in the cost of archeological data recovery alone.

3. Effect of facilitated programmatic review.

   A. Time: time savings will become apparent once programs have achieved programmatic compliance with the regulations. A given programmatic treatment plan or agreement may eliminate the need for tens, hundreds, or even thousands of individual project reviews over a period of years.

   B. Money: saves costs by integrating Section 106 review more effectively into general land use and program planning, hence reduces staff time needed by agencies for specifically 106-related activities. Saves costs by reducing time allocated specifically to 106 consultation, as noted above.

Alternative Commenting Process

A fundamental alternative approach that has been proposed, both within and outside the Task Force, is to eliminate or severely restrict the consultative process and instead simply have the Council receive, review, and comment on agency plans and proposals. Although superficially attractive in its simplicity, this approach has several drawbacks:

1. It is contrary to the Council's experience, and the experience of a growing body of Federal planners and managers, which indicate that it is preferable to reach early consensus through consultation rather than to file antagonistic comments on developed project plans. The Council on Environmental Quality's regulations for compliance with the National Environmental Policy Act, for example, direct agencies to "emphasize(e) cooperative consultation among agencies...rather than submission of adversary comments on a completed document" as a mechanism for reducing delay. We anticipate that a straight commenting approach will reduce the consideration given historic properties, and will increase, not decrease, the delays experienced by agencies in compliance with the NHPA.

2. It would require increased submission of paperwork. If the experience of many agencies in developing mechanisms for compliance with NEPA is any guide, the natural evolution of agency procedures would be toward the generation of voluminous reports on each instance in which an historic

property was subject to effect. Since the Council would not have a consultation process through which the facts surrounding a case could emerge and be dealt with, it would have to engage in a more elaborate review of a larger body of data than now is needed. Lacking a consultation process, the likelihood of misunderstanding and problems of interpretation would also increase.

3. The only way to render comments efficiently would be for the Council to delegate the great bulk of its commenting activity to the staff; the Council itself could not begin to comment on all the Federal actions that affect historic properties. This would require an elaborate oversight mechanism to ensure that the staff performed in a manner to which the Council itself subscribed and to make certain that comments made on behalf of the Council were legally defensable as a valid delegation of authority.

4. It would almost certainly increase the exposure of agencies of litigation. Where the present process leads to Memoranda of Agreement that have, thus far, proven immune to litigation, a straight commenting process would leave the responsible agency open to charges that it either had not sought the Council's comments properly or, having received them, had not attended to them properly and hence had not taken the effects of its project fully into account. Approximately 9% of all projects on which Environmental Impact Statements are prepared and comments received and considered are the subjects of litigation each year; less than .5% of all cases concluded by the Council with Memoranda of Agreement have been the subject of litigation, and in no case has an agency with a Memorandum of Agreement in hand been found by a court to be in noncompliance with Section 106.

Staff and Budget Implications

The following table presents projected staff and budget needs for Fiscal Year 1983 for (a) the current process; (b) the Task Force proposed, and (c) the "straight comment" alternative.

	Current		Task Force		Straight Comment	
	Person-years	$$ (000)	Person-years	$$ (000)	Person-years	$$ (000)
Activity						
General review of Agency's projects	12	$328	12	$328	16*	$438
Formal Consultation	10	273	5	137	0	
Informal Consultation	0		2	55	2	55
Handling "Appeals"	2	55	2	55	2	55
Review of Agency's programs	3	82	6	164	6	164
Totals:	27	738	27	739	26	712

*the above assumes a roughly 33% increase in substantive review of agency projects, in order to prepare the "deliberate and considerable" comments that the legislative history of the NHPA indicates Congress intended the Council to provide; this increase also takes into account the need for some kind of increased staff/Council member interaction in order to ensure proper oversight.

Per capita cost based on initial budget = 32 FTE
$875,000 or $27,344 per capita

Timetable for Transition

We hope to shift to the process set forth in the Task Force alternative in accordance with following timetable:

Adoption by Council for publication in draft: January 1982

Approval by OMB for publication in draft: February 1982

Publication in draft: February 1982

End of public/agency comment period: Late April 1982

Draft final regulations: May 1982

Adoption by Council for publication in final: June 1982

Approval by OMB for publication in final: August 1982?

Publication for effect: September 1982?

The Transition Process

Steps are being taken to begin transition to the new system envisioned by the proposed draft regulations, before these are adopted. Within the next 90 days the review staff will be effectively reorganized by program category rather than by region, as is now the case. This will facilitate programmatic consultation. We have also begun informal consultation with several agencies see how their planning processes and the system envisioned by the proposed draft regulations can be brought into harmony. Little of a formal nature can be done, however, until the regulations are published for effect -- that is, until the beginning of Fiscal Year 1983 at the earliest. Based on experience with the last amendment of the regulations in 1979 (a much less substantial and substantive amendment than now proposed), about 1 year will be involved in transition activities including formal and informal training of agency officials and SHPOs, meetings to explain the new approach, assisting in revisions of agency procedures now keyed to the existing regulations, revising agreements based on the existing regulations, and so on. Hence we cannot expect to see the new system fully functional before the end of Fiscal Year 1983 at the earliest.

Uncertainties Affecting Transition

At least the following uncertainties, besides the amount of time involved in adopting revised regulations and the precise shape of the regulations finally adopted, may affect the process of transition:

1. Level of effort by Federal agencies. When the Council began its work in 1967, no Federal agency other than the National Park Service had anything approaching an effective historic preservation planning system. Many now do, and a fundamental assumption of the proposed draft regulations is that these systems will be maintained and improved along the lines indicated in Section 110 of the NHPA as amended in 1980. Given the existence of such systems, their establishment in agencies that remain deficient in their handling of historic preservation and their gradual improvement, the Council can reduce the procedural rigor of its review process.

   In the current fiscal climate, however, it cannot be easily assumed that such systems will be maintained. The Department of Transportation's representative on the Regulation Review Task Force has regularly pointed out that the requirement of Section 110(c) of the Act, that each agency have a qualified Historic Preservation Officer, is not likely to be met by many agencies, at least not in the way Congress intended. Historic preservation funding for Fiscal Year 1982 within the Bureau of Land Management has been cut approximately in half, as part of the Bureau's effort to make an overall 12% cut in expenditures. This will obviously have effects on the quality of the Bureau's preservation system. Similar reductions are reported in the Forest

Service and other agencies that manage or affect large numbers of historic properties.

It is obvious that if internal agency preservation systems are not maintained, the system in the Task Force proposal will not be fully effective either in ensuring full consideration of historic properties or in reducing complications and hence workload. More inept decisions will be made at the local level, SHPOs will agree less often with agency treatment plans, more public appeals will be filed, more cases will require full consultation, and the consultation process will be more difficult.

2. Participation by SHPOs. The new system proposed by the Task Force envisions increased reliance on State Historic Preservation Officers. Always central to the system, the SHPOs take on a greatly enhanced role under the proposal. However, Federal funds for SHPO programs have decreased about 40% in Fiscal Year 1982, and may be reduced further in Fiscal Year 1983. The National Conference on State Historic Preservation Officers estimates that about 70% of States will be unable to participate in the Council's work without Federal support. Western SHPOs are particularly vulnerable, since their programs tend to be smaller, since they typically have less historical depth as part of State government, and since they are more deeply involved in Federal activities, than are the eastern SHPOs. Hence SHPO failure, or at least a decrease in SHPO participation in the Council's review of projects, can be expected to occur with greatest frequency in the west, precisely where most efficient and effective review is needed to facilitate needed energy projects and precisely where public resentment is greatest to the conduct of Federal actions without full public and State government participation.

   A significant level of SHPO failure, under the existing regulations, the Task Force proposal, or the straight comment alternative considered, would throw a massive new workload on the Council staff, and effectively thwart the reforms proposed by the draft regulations.

3. Uncertainties surrounding Block Grants and delegation. To the extent Federal agency preservation responsibilities are delegated to local government, as is now done by HUD with the CDBG and UDAG programs, the Council and SHPOs will find themselves working with a large number of "Federal agencies" that have little experience in historic preservation and very little staff capacity with which to handle preservation duties. At the same time, "Federal" programs undertaken by and for local governments are exactly the programs that create the most ticklish political situtations for the SHPOs, and often limit their effectiveness as consulting partities. Thus if more Federal programs are administered through local governments, which are expected to carry out the review and management responsibilities of Federal agencies, it is likely that at least the level of informal consultation engaged in by the Council staff under the Task Force proposal will increase, and quite possibly the level of SHPO non-participation and/or public appeal triggering the full consultation process will increase as well.

VII. Conclusions

Assuming no major diminution in the quality of Federal agency historic preservation programs, no major SHPO failures, and no major new problems arising from delegation of Federal agency responsibilities to local governments, the new system proposed in the Task Force proposal should effectively streamline the Council's review and comment process, facilitate programmatic consultation, and focus the full consultation process on those cases that actually need extensive public negotiation to reach agreed-upon solutions. Allocation of staff time will shift from a domination by individual case work toward increased provision of assistance to agencies in program development and early planning, and more autonomy will be afforded the State Historic Preservation Officers in the planning process. No actual decrease in workload can be expected, but effectiveness should markedly improve. This effectiveness should be reflected in dollar savings across the Federal

Government, through avoidance of last-minute project delays and through improved scrutiny of expensive impact mitigation programs, notably archeological data recovery activities, consistent with the recommendations of the General Accounting Office. With luck, it should be possible to begin real transition to the new system by the beginning of Fiscal Year 1983, and to have it fully in place and functioning by the beginning of Fiscal Year 1984. A shift to a straight comment procedure would result in minimal staff and funding reductions within the Council, and would be counterproductive both in terms of historic preservation and in terms of efficient and effective agency planning.

STATE AND LOCAL DECISIONMAKING

Senator McCLURE. How much decisionmaking is occurring at the State and the local levels?

Dr. KING. A very great deal, Mr. Chairman. The National Conference of State Historic Preservation Officers has compiled some figures which, again, we can supply for the record.

Senator McCLURE. If you would, please.

Mr. FOWLER. If I might note one thing, Mr. Chairman, the thrust of the revised regulations that have been adopted by the Council is to encourage more State and local level decisionmaking with a more active role for State historic preservation officers working closely with the field people in the Federal agencies.

Senator McCLURE. If you have developed some numbers that quantify that results, will you provide those for the record as well, please?

[The information follows:]

AMOUNT OF STATE AND LOCAL DECISIONMAKING

The National Conference of State Historic Preservation Officers, based on a poll of its members, has estimated that approximately 186,000 Federal projects are reviewed by State Historic Preservation Officers each year.[1] The National Park Service has estimated that State historic preservation officers review about 76,400 projects.[1]

The Advisory Council formally comments upon approximately 800 projects per year, receiving notice of an offering general advice on about another 1,000. Thus the State historic preservation officers handle between 74,600 and 184,200 projects each year without Council involvement beyond the provision of advice, and only between about 0.5 and 1 percent of the total of Federal projects are sufficiently complicated or damaging to require formal Council participation review.

Local governments have not as yet been able to adopt the preservation coordinative role played by the State historic preservation officer, because the Department of the Interior is only now in the process of moving toward final rulemaking for the certification of local preservation programs under section 101(a)(7)(C) of the National Historic Preservation Act; absent certification, the Council has been unable to prescribe an effective role for local government in its own regulations. Local governments have played an increasingly important role at least informally during the last few years, as more and more of them have developed in-house preservation capability and as more and more Federal environmental review responsibilities have been delegated to local grant recipients, but we have no hard figures on the scope of this involvement.

[1] Figures from preliminary report of "Advisory Council on Historic Preservation Task Force on Federalism and Preservation," December 15, 1981.

TRUE CONFLICTS

Senator McCLURE. How does the Council define a true conflict situation in handling individual case reviews?

Mr. GARVEY. A true conflict, well, the——

Senator McCLURE. Those are words of art used by you in your regulations.

Mr. GARVEY. If the Federal agency has an undertaking that is discussed with State preservation officers and both agree that historic properties are affected, measures are taken to mitigate any adversity. If everybody is happy about the solutions of the adversity, and there is no vocal opposition, then there is no conflict. When agreements arise from that sort of felicitous interaction between the Federal agency and the State, a memorandum of agreement results, we countersign, and that's pretty much the end of it.

In many other cases, perhaps a segment of the public, or a municipality may disagree with the Federal agency. There may be a whole range of things that create a real conflict in which a city council may not support the Federal proposal.

Senator McCLURE. You have referred in each of your examples here to State or local elected bodies. Can a true conflict occur absent this agreement by an elected body at the State or local level?

Mr. GARVEY. We think so, Mr. Chairman.

Senator McCLURE. How is that reflected? How do you judge it?

Mr. GARVEY. Well, it may be reflected by a substantial outpouring of public support.

Senator McCLURE. Do you have any rule of thumb about what is required before you think there is a true conflict?

Mr. GARVEY. I'm not sure. Let me ask Dr. King, because he and I discuss these things from time to time, and I think he has a better sense of conflict situations.

Senator McCLURE. I'll ask your counsel. How do you defend the regulation that depends on a kind of a sense of?

Mr. FOWLER. I think that the term "true conflict" is used in some of the descriptive materials regarding the regulations as opposed to the regulations themselves. In the proposed regulations, there are certain criteria that we would rely upon to guide judgments as to whether a more detailed review is necessary. I would have to say that in the day-to-day administration of the process, a true conflict you know when you see it.

Senator McCLURE. Kind of like true love. [Laughter.]

Mr. GARVEY. And sometimes just as fickle.

Senator McCLURE. I have to wonder about that process, and I'm not sure I know better than you how to describe it. But in New York City, a petition with 400 names on it would mean almost nothing; in a small community in Oklahoma 400 signatures would be quite a lot.

CONFLICT IN WALLACE, IDAHO

Mr. GARVEY. Mr. Chairman, I will be bold and mention a case in your State. There is a Federal highway project in Wallace. I went to Wallace to inspect the resource and the physical circumstances that had to be faced in constructing a highway to connect the two ends of the interstate. I spoke to a number of people who had no real knowledge of who I was or my interest in the project. And to a person, they had some objection to some facet of that highway, whether it was elevated, eight lanes, or a steep grade, or whether or not they had to move a railroad station, or whatever.

It was abundantly clear to me that there was conflict within that community with regard to the highway. However, the elected officials were in full support of it. There was organized opposition, there was casual opposition, and I determined that there should be a public information meeting, as provided by our regulations.

We held a public information meeting in Wallace, and while I have witnessed lots of them in the last 5 years, I never heard one that had such a great range of public participation. We had school teachers, attorneys, we had the most articulate miner I ever heard in my life. There was no question that that town needed to air its views on this project.

And I must say, as a result of it, the highway will be built. The State wanted it and the muncipality wanted it. But there will be some changes in the design that are largely acceptable to many of the citizens of that community. I don't think they have the best design yet, but there are some improvements that have come out of the fact that there was a discernable conflict between the interest in preserving the historic quality of Wallace and getting a satisfactory transportation system to that community.

Now, this is something I went and saw and heard myself, and I needed no criteria.

Senator MCCLURE. A good case in point. However—and I am very familiar with that particular situation—it is to try to separate out the special interests of various parties whose interest was not historic preservation but was something else which was also involved in that community controversy. About 90 percent of what you saw was generated from extraneous issues that were not related to historic preservation but related to commercial interests—vested interests of one kind or another.

Mr. GARVEY. I could have gone around and put a gold star on the lapel of every one of those people, I think, Mr. Chairman.

Senator MCCLURE. And you would have run out of gold stars.

Mr. GARVEY. You are exactly right, but that was not all.

ABUSE OF PRESERVATION LEGISLATION

Senator MCCLURE. No; it certainly was not all, and I don't disagree with that. But I am concerned about how you do it in a way which is defensible, not just in a political sense but in case you get challenged. Certainly, those who have other axes to grind than historic preservation may well use the Historic Preservation Act to achieve other goals, in-

cluding their willingness to pay to achieve those other goals by going to court. Sometimes the court may achieve the purpose which they had in mind. And if you have ambiguity in the regulations, you invite prolonged litigation.

So I think Wallace is a good case in point. That's been going on for 13 or 14 years, and yours wasn't the first delay proposed by public hearing. There have been four or five other delays proposing other stages of public proceeding before you or I.

Mr. GARVEY. Yes; as a matter of fact, the Highway Department has had one or two hearings since that regarding some of the improvements.

Senator MCCLURE. The only people that have been enriched by it are the engineers and a few lawyers. More engineers than lawyers in this case.

Mr. FOWLER. Mr. Chairman, if I could make one further comment on just how one identifies a conflict situation. The whole premise of our regulations which have been in place for the past 8 years and those which we are proposing, is based on agreement between the State historic preservation officer, who represents the historic preservation point of view while being cognizant of the desires of the State government; the Federal agency, which has its mission to build a highway, or the like; and the Advisory Council, which is seeking the public interest. So when we conclude a case by reaching a memorandum of agreement, or the more simplified forms found in the revised regulations, conflict virtually does not exist. Usually there has been an adequate airing of the preservation issues, citizens' interests, and governmental concerns to make sure they are all dealt with in the final agreement. I think that may be one reason we have a little difficulty in providing a direct answer to your question. Our system is based on negotiated problem solving, and it's highly successful that way, because none of the agreements that have been reached have ever been overturned in court.

TASK FORCE ON FEDERAL TAX LAWS

Senator MCCLURE. Well, I have a number of other questions to submit for the record, but there is one area I would like to explore.

With respect to the task force on Federal tax laws and historic preservation, will they have a final report to submit on the tax treatment of historic properties?

Mr. GARVEY. Mr. Chairman, the study has been completed, and we are now drafting recommendations and will make a report to the Council when it meets on June 1.

Senator MCCLURE. Will that include the recommendations?

Mr. GARVEY. This will be the preliminary report, but I expect that the Council will make final recommendations to the Congress and the President by August.

Senator MCCLURE. I wonder if you could provide for the committee use a copy of that task force study to date, giving the recommendations, together with the recommendations which you will present to the Coun-

cil on June 1. I ask that because if they don't make a final decision until August 1, they will be a little late in the legislative year to respond to it. It might help us to have some advance on what the thinking is.

Would it be possible to do that?

Mr. GARVEY. The study is completed and is due today, the final edited version of it. Within the next 2 weeks we will send the results to the Council members, and I will provide you a copy with the understanding that it is an internal document.

Senator MCCLURE. Yes, I understand that.

Mr. GARVEY. The copy is for Council use and I expect that the Council, in its wisdom, may accept or reject any or all of it.

Senator MCCLURE. I understand that.

Mr. GARVEY. I will be delighted to furnish it for your information, however it is much too voluminous to include in the record.

Senator MCCLURE. It will be placed in the committee's file.

TAX CERTIFICATION FEE

Senator MCCLURE. Thank you. Is Counsel aware of a proposal by the National Park Service to begin charging a fee for processing Tax Act certifications?

Mr. GARVEY. I have heard that this matter has been discussed.

Senator MCCLURE. What is your estimate of the impact such a fee would have?

Mr. GARVEY. I have not contemplated it, but I would think, Mr. Chairman, that it would not in any way deter a developer. Well, I guess I'm not sure; but my sense is that if a fee were an added-in cost to a development system of some sort, it would not slow down the process.

Senator MCCLURE. My concern would be this: I think the Park Service indicates that it will amount to several hundred dollars in a typical case, and several times that amount in a more complex case. That might slow down the idea of submitting applications.

The Park Service answers by saying it's a small part of the total cost of the preservation project and, therefore, in their judgment, will not inhibit the process.

I wonder if there is a middle ground in which the recovery of the cost of certification could be delayed until the time the preservation activity is undertaken, where it would be merged into the larger cost, but would not be an up-front cost which might inhibit them from even attempting it.

Mr. GARVEY. Our first reaction was that if a fee is in the final development cost, it's not unreasonable. Then I hesitated, exactly on the point you just made. If this were a front-end cost with certification, I think there might be some problems with it. I agree with your assessment. However, I believe it is important that the proceeds of the user fees actually accrue to the administration of the certification process and not simply to the U.S. Treasury.

Senator MCCLURE. If, upon reflection, you would like to give a different answer, I'd certainly welcome it for the record. We are going to

be looking at that very carefully. I think the tax certification program has been a remarkable success, and I think it's needed to be undergirded and not slowed down. I don't regard it as some do, as being, in effect, an unjust enrichment for the private property owner, because we're asking them to do something which we want done on behalf of society. Just because they're doing it is not a reflection of the fact it's economically sound for them to do it. Therefore, this certainly should not be taken as simply a grant to them of money which they otherwise wouldn't have, because it is an activity that they wouldn't otherwise undertake.

So I would hope, if you can give that some further thought or if you have a different response, please submit it for the record. If not, we'll leave it stand where it is.

ADDITIONAL COMMITTEE QUESTIONS

I will submit further questions to you for response in writing.

Thank you very much for your testimony and your responses to questions here today.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Question: Do you still feel, as you did last year, that you can do a good job with less money?

Answer: We can meet the basic responsibility to review and comment upon Federal projects as they are submitted to us on a project-by-project basis. However any signficant increase in the volume of such projects (eg. resulting from the Jobs Bill), any signficant increase in the speed with which they must be processed, or any signficant decrease in the efficiency of agencies and State Historic Preservation Officers could swamp our small staff.

What we cannot do without additional money will be programmatic coordination with agencies, and post-agreement monitoring which often results in savings to the responsible agency.

Question: What does that additional level of detailed review provide?

Answer: We assume that additional review refers to what will be done with the additional $500,000. It will provide:

(1) staff attention to the development and implementation of Programmatic Memoranda of Agreement. PMOAs reduce paperwork and lead to more effective, efficient internal agency programs, with less need for Council involvement in the long run; and

(2) post-agreement monitoring -- that is, Council staff participation in the review of substantive measures developed as a result of agreements. Such monitoring my involve review of architectural drawings as they are developed to ensure compatibility between historic buildings and new construction, review of archeological data recovery plans and budget, and in-field meetings to resolve uncertainties or disputes about how to proceed with a given project. Such monitoring allows us to ensure as well as we can that agencies are doing what they agreed to do, to mediate conflicts, and to seek reductions in the cost of agreed-upon measures. Importantly, this is one of the major contexts in which we review archeological survey and data recovery proposals, and have an opportunity to promote carefully focussed research that reduces cost while increasing scholarly productivity.

Question: Does it provide additional protection to the historic property?

Answer: Programmatic agreements do because they help to build preservation into agency planning as a normal, accepted element rather than as something imposed from the outside, which tends to generate resentment and be ignored if possible.

Post-agreement monitoring provides additional protection because it helps avoid and resolve disputes and eliminate sources of confusion that could otherwise result in unnecessary losses.

Question: In the new draft regulations how will greater opportunities for input be provided to the public?

Answer: The revised regulations provide an opportunity for interested private citizens, businesses and organizations to tell an agency they would like to be kept apprised of development in the agency's review of an undertaking's impact on historic properties. This then places a duty on the agency to notify such parties of important decisions and conclusions made by the agency in this regard. An opportunity is also provided to "appeal" improper agency decisions on historic properties to the Council to ensure the legal requirements are properly met.

Question: Does the Task Force on Federalism and Preservation have a final report to submit on the changing roles of the Federal Government in the National Preservation program?

Answer: The Task Force has not, as yet, completed its final report.

Question: Will this Task Force review the entire Federal/State/private relationship in historic preservation issues?

Answer: The Task Force examined the Federalism proposals of the Administration and concluded that, "the existing national historic preservation is a model for Federalism as defined by the President." As the work of the Task Force concludes, it will attempt to address the ways in which the Federal/State/private relationships in historic preservation can be strengthened.

Question: Will the Task Force on Federal Tax Laws recommend ways to improve either state or Federal responses to the tax credit provisions?

Answer: Yes, the Task Force will propose recommendations for adoption by the Council. These will then be submitted to the President and the Congress. We anticipate that the recommendations will deal with both legislative and administrative actions to improve the historic preservation tax incentives. They will deal with both the State and Federal roles.

Question: How are public buildings and courthouses treated under the Tax Act certification?

Answer: Since public buildings and courthouses are not subject to the federal income tax, they do not offer the owner the opportunity to deduct depreciation expense or to take an investment tax credit, and thus are not normally treated by Tax Act certification. Two qualifications must be made, however.

First, if a privately owned historic building is leased to a governmental unit, that portion of the building which is attributable to qualified rehabilitation expenditures is eligible for the investment tax credit. 26 U.S.C. 48(a)(5). Also if a private taxpayer enters into a lease of fifteen years or longer for the use of a government building, the lessee is also eligible for the investment tax credit with respect to his qualified rehabilitation expenditures. 26 U.S.C. 48 (g)(2)(B)(V)

Question: Does the Council anticipate any new historic preservation programs for FY 1984? If so, what are they?

Answer: Internally, once we have our regulations taken care of, we have the following programs in mind:

1. Publication of "Planning in Context" and the San Francisco-based urban preservation planning guidelines, and

2. Development and publication of detailed guidelines for "predictive model" development as conceived in PMOA with the Office of Surface Mining; this will probably be a cooperative effort with OSM and the archeological community.

Question: Please explain what individual structures and neighborhoods may be preserved for FY 1984?

Answer: The Council is essentially a reactive agency. When an agency comes to us to seek our comments on its proposal to do damage to an historic property, we try to explore ways to preserve the property by altering the project. Since we are reactive, it is impossible for us to foretell what projects will come before us next year, and even more impossible to foretell which ones may result in preserving an historic property. We can identify some cases that we expect to attract attention in the next

year, that have either recently been brought before us or that we expect to come to us soon. These include:

°The Alsea Bay Bridge on the Oregon coast, a very handsome deteriorating concrete tied-arch bridge which is scheduled for demolition;

°Civilian Conservation Corps buildings in various National Forests and BLM districts, which are passing over the National Register's 50-year threshold and being recognized as historic just as they are beginning to create management problems for the agencies that control them.

°Tahquitz Canyon in California, where the State has requested that the NPS modify the terms of an Historic Preservation Fund grant, which allowed the City of Palm Springs to buy the land for an historic park; the modification would allow it to be used as a flood control facility instead.

°The Presidential Parkway in Atlanta, Georgia, involving the proposed use of land originally purchased and cleared for interstate highway connectors in the late 60s and early 70s. The parkway would link the central business district with the northeast suburbs, and include within its boundaries (and provide access to) the proposed Carter Presidential Library. It would affect the Frederick Law Olmsted-designed park system within the Druid Hills Historic District, as well as other historic districts and individual properties.

°The Interstate 210 Connector in Mobile, Alabama, a proposed elevated freeway linking I-65 and I-10 through downtown Mobile. The highway would affect several historic districts, numerous 18th and early 19th century archeological remains of Mobile's historic waterfront, and the city's National Historic Landmark City Hall.

Question: Have BLM and the Forest Service completed and issued their historic preservation regulations yet this year? If so, how will this affect the Council?

Answer: No, neither has issued its regulations. As we understand it, both are awaiting a decision from Justice about the legality of the Council's regulations. BLM has a well-developed draft, so once it decides to proceed we should be able to move rapidly toward issuance. The Forest Service draft is not as fully developed. On of our major efforts will be to promote compatibility between the two sets of regulations, since the agencies so often have overlapping and interlocking jurisdictions.

Once these regulations are in place, and the agencies have adapted to them, they should simplify our dealings with both agencies, but the exact effect they will have on the nature and scope of our work can't reliably be predicted at this time.

Question: Do any other federal agencies plan to initiate or publish any regulations for FY 1984?

Answer: Yes, we are aware of at least following:

1. Army: regulations for preservation planning and management on Army installations. A well-developed draft is nearing completion.

2. Soil Conservation Service: Final regulations have been approved by the Council and SCS for publication. Apparently these are being held up in the Department of Agriculture awaiting final word on the status of the Council's regulations.

3. Office of Surface Mining: Drafting has begun on regulations dealing with historic properties on Federal lands, based on our draft Programmtic Memorandum of Agreement.

Question: Does the Council know when the Department of the Interior will complete the guidelines for Federal agency resource protection programs?

Answer: No

Question: Have any regulations been developed that involve planning processes for archeological problems? If so, what are they?

Answer: We haven't developed regulations per se dealing with such planning processes. However, we have issued numerous guidelines and other informal instructions to aid agencies in dealing with archeological resources:

(1) an appendix to our recently issued (1981) Urban Development Action Grant (UDAG) regulations (36 CFR Part 801) provides guidelines for the conduct of archeology in connection with urban development;

(2) Also in 1981, we issued a handbook called "Treatment of Archeological Properties" that deals with archeological problems in planning;

(3) The Programmatic Memorandum of Agreement we are negotiating with the Office of Surface Mining provides detailed standards for archeological planning in connection with surface coal mine development, and

(4) We are working on a Programmatic Memorandum of Agreement with the National Park Service providing standards for archeological planning in National Parks.

Meanwhile, the Department of the Interior has drafted planning standards and archeological standards that are presently undergoing review by ourselves, other agencies, and the State Historic Preservation Officers. Also, both the Army and the Soil Conservation Service have drafted regulations that deal extensively with archeological problems in the planning of their respective kinds of program activities.

Question: How is the Council helping Federal agencies more precisely target archeological survey activities?

Answer: We assist the agencies in three ways.

1. Through Programmatic Memorandum of Agreement. For example, our draft agreement with OSM provides for coal mine operators, at their option, to develop a "predictive model" of their mine areas in advance of doing archeological survey. This model is based on regional data and sample surveys, and predicts where different kinds of archeological sites will be found and where none will be found. Survey activities are then keyed to those predictions, emphasizing the "likely" areas for important sites, at the expense of those less likely or likely to contain less important sites. Similarly, our draft agreement with BLM for the disposal of surplus Federal lands provides for BLM, in consultation with the SHPO, to distinguish between lands likely to contain significant sites and those not so likely, based on information available to them, and then to tailor surveys to the probability of finding something of importance.

2. By monitoring in the course of, and after, development of project-specific agreements. For example, in the case of Highgate, Falls, a hydroelectric project in Vermont, we are negotiating with the town sponsoring the project, FERC which is regulating it, the SHPO and the city's contracting archeologist to reduce the level of survey and data recovery to focus on certain prehistoric high-sensitivity areas. At the National Training Center at Fort Irwin, California, we are working with the Army, the California SHPO, and NPS, which is contracting with the Army, on an ongoing basis to monitor archeological survey and data recovery in advance

of tank, infantry, and artillery training, to ensure that it is keyed to the Army's priorities and doesn't impede training, while still producing important research results.

3. Through provision of general advice and guidance. Our archeological caseworkers spend a good deal of time on the telephone, the field, and in letters advising agencies informally about how to focus and reduce the cost of their archeological work--this goes on both with respect to particular projects and outside the project context. We also have issued draft formal guidance documents, such as "Planning in Context", a detailed set of recommendations for planning with an emphasis on archeology, and a recent set of guidelines for urban historic and archeological planning, which we developed for the City of San Franciso but are considering generalizing.

It is often difficult for us to quantify the results of these activities, but the table provided for the record on page 15616 indicates that through our review of 7 projects, we were able to help save the government $2, 421, 500.

Question: How many cities have ordinances to protect historic properties?

Answer: Approximately 900 cities have ordinances to protect historic properties.

Question: Does this number imply an upward trend for the past few years?

Answer: Yes, this number definitely indicates an upward trend. Approximately 20 cities had preservation ordinances in 1955, 100 in 1965 and nearly 500 by 1975. The National Trust on Historic Preservation has been collecting information on local preservation programs since 1976. In that year the Trust counted 492 cities with preservation ordinances. In 1978 there were 578 and in 1981, 832. The Trust estimates that at least 900 cities now have such ordinances. This increase reflects a growing concern of local government for protecting historic resources. The landmark decision of the Supreme Court in the Grand Central Station case in 1978 has given local regulatory efforts a significant impetus. (Pennsylvania Central Transporation Company v. City of New York, 438 U.S. 104 (1978))

Question: Currently, how are the cities meeting the goals of preservation?

Answer: In addition to enacting preservation ordinances, many cities have established preservation commissions as routine components of city government. These commissions have begun to organize into statewide networks that serve as clearinghouses for preservation information. Second, an increasing number of planners, architects and attorneys with preservation experience or degrees are joining city staffs.

Third, many cities have established local historic districts in addition to historic districts that may be listed on the National Register of Historic Places. All of these efforts will create in the future an increased public understanding of and appreciation for historic preservation goals.

Question: Please provide for the Committee files a copy of the latest report entitled Preservation and Federalism Today. In addition does the Council have other recent publications to be submitted to this Committee. Finally, does the Council have an annual report to be submitted today?

Answer: We will finish our preliminary report on Federalism, our annual report, and a recent publication "Where to Look" a Guide to Preservation Information. They are too large to be included in the record.

Question: According to an article in the Washington Post today (May 2, 1983), the Department of the Interior would like to control the process of reviewing and writing the standards for federal builders in evaluating the historical value of various sites. Does the Council feel the outcome of this controversy will affect the future of national historical sites? If so, in what way?

Answer: If the Interior appraoch were to prevail, we believe the general level of Federal consideration of impact on historic properties would deteriorate greatly. We continually witness cases where ignorance of the significance of affected historic properties, lack of experience in mitigating negative impacts or outright refusal to consider known effects would result in impairment or loss of historic properties were it not for the contact with the Council and the national network of State Historic Preservation Officer's, as required by our current regulations. Our revised process will retain this requirement of contact and information sharing. Interior's approach will not, but will rely on citizen enforcement of the law and Interior's standards in court. Not only is this expensive to all parties, in litigation costs and delays, it will also result in the loss of many historic properties. Our experience indicates only a small percentage of legal violations are brought to court and often even those are initialed only when a weekend demolition has commenced. We have no doubt that, were Interior to issue its long awaited standards, the quality of agency consideration of historic preservation concerns would be greatly improved. However, we do not believe the current level of protection for historic properties could be maintained.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m., on Thursday, May 12, 1983, when we will hear testimony from the Office of Territorial and International Affairs.

[Whereupon, at 3:30 p.m., Monday, May 2, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, May 12.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MAY 12, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:05 p.m., in room SD–124, Dirksen Senate Office Building, Hon, James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

BUDGET REQUEST

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1984 budget request for the Department of Interior's Office of Territorial and International Affairs.

The 1984 appropriations request for OTIA totals $150,139,000 and includes $62,150,000 for the administration of territories account, and $87,989,000 for the Trust Territory of the Pacific Islands.

These figures represent reductions of $11,742,000 and $7,821,000, respectively, from the fiscal year 1983 appropriated levels.

We will begin this afternoon's hearing by taking testimony from Congressman Won Pat of Guam, Congressman de Lugo of the Virgin Islands, and Congressman Sunia of American Samoa. We are pleased to welcome each of you before this committee again.

I hope that you will highlight your statement. We will put your statement in the record in full at this point in the record, and I would ask you to be as brief as possible.

I apologize for this, but we are in the midst of some rather tense voting and negotiating on the floor of the Senate with respect to the budget resolution, and I anticipate that I am going to be called away before we can complete this hearing.

So I would like to hear from each of you in turn, but I, again, hope that it can be as brief as possible.

If I can call upon the senior member, Won Pat.

STATEMENT OF HON. A. B. WON PAT, U.S. REPRESENTATIVE

Mr. WON PAT. Thank you, Mr. Chairman.

I understand because of the position you are in. We find ourselves also in that position.

Mr. Chairman, I have a full statement, and as chairman of the House Subcommittee on Insular Affairs, outlining the alternative fiscal year 1984 budget for the U.S. territories approved by the House Committee on Interior and Insular Affairs, which I have submitted for the record.

I would therefore like to devote this moment as to the more critical appropriation needs of my own territory. That is Guam.

Our new government inherited a fiscal mess created by the irresponsible spending of his predecessor and indifference by Interior. He faces a problem of tough and good decision, and I hope that you will help him.

One crippling problem is the island has accumulated debt. Federal legislation was enacted in 1980 to help Guam reduce the deficit, but the program was never implemented by Interior.

Mr. Sanjuan has offered you the requirement that it approve the island's deficit elimination plan to block requests for appropriation. Because of this, Mr. Chairman, you help amend the original law last year to restrict Interior's role to commenting on the locally devised budget management plan.

Governor Bordallo has since submitted a reasonable plan. Interior's objections to it are not insurmountable, and Guam has advised its proposal.

I urge you to get a territorial budget management program Congress wanted going by appropriating the authorized grant of $7.5 million.

Last year's omnibus territories bill, on which we worked together, Mr. Chairman, also a new debt, or the authorization to make badly needed renovations to the Guam Memorial Hospital.

Through your leadership, $2 million was later included in the Senate version of the fiscal year 1982 appropriation to begin the work. Unfortunately, the assistance had to be sacrificed in conference, partially because of the failures of Governor Bordallo's predecessor to justify plans.

Governor Bordallo has now formed a plan. Please renew your commitment to this vital project, sir. I will fight for support by your House counterpart.

But Interior proposes to fund the $11 million plus project with a $4 million grant now and possibly a loan for the next—for the rest of the later—makes no sense.

The request is inadequate for initiating the work, and neither the Representative nor Governor of Guam could generate revenues to pay back as yet unauthorized loan.

Mr. Chairman, you recognize this in authorizing a grant for the full amount in S. 589. The House Committee on Interior and Insular Affairs approved the bill at my request yesterday. I hope that you would appropriate in line with the authorization.

Senate 589 contains an authorization for a third undeniably critical capital improvement—completion of Guam's penitentiary. Once again, mismanagement by Governor Bordallo's predecessor is primarily responsible for the problem. Inflation and necessary decision to amend the signed authorization since this committee's initial fiscal year 1980 appropriation add-on make a further appropriation imperative.

Again, since you recognize the role of this in Senate 589, I hope you will be able to make an appropriation.

Finally, Governor Bordallo's predecessor certainly abused Federal economic development loan fund assistance, but that should not totally negate GEOA's positive contribution to our private sector goal, particularly since I see little chance of final House passage of the administration's still to be formally proposed territorial development fund in time for fiscal year 1984 appropriation, and I urge you to keep GEOA alive.

Thank you, Mr. Chairman, for your attention and past sensitivity to our problems and needs.

PREPARED STATEMENT

Senator McCLURE. Thank you very much. We will insert your statement in the record at this point.

[The statement follows:]

STATEMENT OF HON. A. B. WON PAT

I appear to outline both the concerns of the Committee on Interior and Insular Affairs regarding fiscal year 1984 appropriations for the territories of the United States and the needs of my own island of Guam, all of which are described in the Committee's budget recommendations.

Let me start with American Samoa. When our Committee wrote its budget report, development of an adequate power system seemed the most critical need. It still is important and we urge your favorable consideration of the justifiable power infrastructure development requests of the territory.

However, as you know, an even more critical and immediate problem is operations funding. Clearly, the Interior recommendation for this purpose is counterproductively insufficient. Our Committee strongly supports adequate operations funding.

Related to this, my subcommittee will hold hearings in the near future on the territory's fiscal crisis, Interior's response to it and responsibility for it. We will look into the federal and local steps being taken as well as the need for legislative controls on territorial budgeting and federal supervision.

We also believe that it makes little sense to discontinue federal contributions to the economic development loan fund if our goal is to make the territory more self-reliant.

The same is true of the federal contribution to Guam's economic development loan fund: it should be maintained.

There are three priority capital improvements on Guam to which our Committee hopes you will make appropriations in view of their undeniable importance and the fiscal predicament of the territorial government.

One is Tumon Bay water and sewer line improvements. These are unquestionably imperative if Guam's tourism industry is to grow and if the public health is to be protected. We support appropriation of the full amount needed in fiscal year 1984.

A second priority is the Guam penitentiary, partially funded in fiscal year 1980. This project must be completed and, for it to be, further federal assistance is required.

Legislation authorizing appropriations for these projects has passed the Senate and was reported out of the House Committee on Interior and Insular Affairs at my urging just yesterday.

The third priority is renovations to the Guam Memorial Hospital. We urge appropriations for some of the $10 million authorized for this purpose in 1979. They are sorely needed.

Finally, with respect to Guam, our Committee advocates appropriation of the $7.5 million authorized grant to help reduce the island's crippling deficit.

As you know, the territorial budget management/deficit elimination program was created by Congress and the President in 1980 in recognition of the fact that excessive accumulated deficits were forcing territorial governments to take desperate and often imprudent fiscal measures.

Unfortunately, this administration has ignored the program since it took office. The financial problems P.L. 96-597 was designed to help correct have been severely exacerbated by the administration's tax and program cuts. But despite the disproportionate adverse impacts, the administration has not responded to Appropriations' requests that it propose methods and means of compensating Guam and the Virgin Islands. Instead, Interior effectively blocked deficit assistance.

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Because the administration has ignored the law designed to improve territorial budget management, has proposed no alternate idea and has considerably worsened the problem with policies which ignored insular America, Congress acted last year to remove Interior's power to prevent funding of the budget management/deficit elimination program. The agency can only comment on territorial fiscal responsibility planning, it can no longer disapprove of locally determined efforts to budget effectively and properly.

My subcommittee applauds your counterpart House subcommittee's action last week to reject Interior's proposal to defer spending of nearly $3.2 million of the $10 million appropriated for construction of the Northern Marianas hospital. We also appreciate that it recognized that the inflation adjustment to this year's Covenant grants is part of an inviolable obligation of the nation to this newest member of the American political family.

By contrast, we were astounded at the administration's request for only $5 million to continue construction of the hospital and its assertion that this amount would fulfill the federal commitment of $15 million.

P.L. 96-205 establishes the federal commitment at $24.4 million, indexed from the beginning of FY '80 for this absolutely imperative assistance.

We hope that you will fulfill this commitment. You would do so to an appropriate degree in the FY '84 budget by including the amount actually needed to continue the hospital project.

As with Samoa, the two most important needs of the Virgin Islands are fiscal assistance and assistance for critical power and water infrastructure improvements.

No capital improvement need of any territory is more important than adequate power and water generation and distribution facilities

in the territory. They are essential to both the welfare of the territory's people and continued economic activity and growth.

The Interior and Insular Affairs Committee yesterday also reported out an authorization for a second $10 million for this purpose. We hope that you will agree upon some mechanism of funding.

If the territory submits a reasonable deficit elimination plan, we hope that the authorized grant will be appropriated for the reasons described in my testimony regarding Guam.

Finally, with regard to the Virgin Islands, my Committee was pleased that the administration followed Congress' lead in supporting funding of construction of a second juvenile detention center.

The Interior and Insular Affairs Committee took action on two other authorizations which I want to explain to you.

One broadened the Secretary of Energy's authority to plan development of indigenous, renewable energy resources in the territories to include implementation of projects recommended in the administraton's Territorial Energy Assessment.

The Committee on Interior and Insular Affairs urges that you appropriate $2 million so that relatively low-budget alternate energy projects can be undertaken.

The other authorization was for $2 million for a territorial development fund for private sector projects only. This is in lieu of an administration proposal for a bank primarily to make loans rather than grants for most territorial capital improvements.

On a bipartisan basis, our Committee resoundingly opposed the administration proposal for three reasons. First, the financial condition of the territories is such that it will be inadvisable in the near-term to finance most major and critical public improvements

through borrowing. Second, much of the basic infrastructure being financed by grants is non-revenue producing. Third, the Congress should not delegate to Interior the function it now legislatively performs of determining territorial capital improvements assistance.

The Committee, however, indicated that it would seriously consider the creation of an institution which would facilitate investment into territorial private sectors and increase the availability of local venture capital.

The proposal modifies the draft Interior Department bill on the subject to limit the insular development fund created to financing only private sector development and only generally authorize the funds.

We may amend the authorization to create a specific program sometime later, after hearings and other work. But I do not expect that we will be able to get a development fund bill passed prior to the FY '84 appropriation.

Our Committee does not object to the administration's request for the Office of Territorial and International Affairs itself or its technical assistance program. We do have doubts about the effectiveness of the office and program, however.

I expect that the appropriations process may want to state expectations of the territories office and its technical assistance program. In any case, my subcommittee will be taking a very hard look at their usefulness and how it might be improved by new law this year.

Thank you for receiving my recommendations and those of the Committee on Interior and Insular Affairs. Our staff is available to work with yours so that there is a necessary consistency of purpose and emphasis between budget and program law.

I know you have met separately with the very capable Governor of Guam, Ricardo J. Bordallo. The governor inherited a fiscal mess created by the irresponsible mismanagement of his predecessor and Interior actions. I hope that you will be sensitive to the difficult position his new administration has been placed in. He has faced the problems with tough and good decisions and I hope that you will help him help Guam out of its financial problems.

STATEMENT OF HON. FOFO I. F. SUNIA, U.S. REPRESENTATIVE

PREPARED STATEMENT

Senator MCCLURE. We will next hear from Congressman de Lugo.

Mr. DE LUGO. Mr. Chairman, I would like to let Mr. Sunia go first because he has to catch a plane, and then I will go.

Senator MCCLURE. All right. That is perfectly all right with me, and I understood you have to catch a plane. Go right ahead.

Mr. SUNIA. Yes, sir. Thank you very much, Mr. Chairman.

Senator MCCLURE. Make your statement before you catch the plane. [Laughter.]

Mr. SUNIA. It is a long trip to American Samoa. I am getting paid for the whole year to make this statement, so I had better make it. [Laughter.]

Mr. Chairman, I ask that my statement in its entirety be accepted into the record.

[The statement follows:]

STATEMENT OF HON. FOFO I. F. SUNIA

Mr. Chairman and distinguished members of the committee, good afternnoon, and let me say that it is indeed a pleasure, once again, to join with the elected leaders of my Territory of American Samoa to fully support and urge your similar approval of the territory's fiscal year 1984 appropriation and in this particularly trying year a supplemental appropriation for the remainder of fiscal year 1983. It is indeed unfortunate that our leaders were not available in time for detailed submissions for your hearings on those supplementals of 1983.

Similarly, I am somewhat disappointed that the Department of the Interior did not ask for a supplemental appropriation to assist us in this dire time of need. The shortfall has been known for some 2 months now, and any assistance would have been greatly appreciated as well as it is desperately needed.

Taken all together then, I am earnestly beseeching the distinguished members of this committee to consider favorably our fiscal year 1984 budgetary request as well as any possible help that may be forthcoming concerning the current problems that confront us during the last phases of fiscal year 1983.

In discussions with staff, I have determined that there may be some method by which a direct supplemental appropriation may be granted, as already considered.

Second, there may be ways to reprogram the capital improvement projects of 1983 that are as yet not finalized in to operations, with the proviso, Mr. Chairman that any funds not so needed in the 1983 total government needs be returned to the CIP budget in the priorities already established.

A third alternative would be a direct low interest, and long-term loan that would assist the territory in this unique time for help.

I have been told that the amount of the CIP's that might be available would be sufficient to offset the cashflow problem that is now imminently before the American

Samoa Government. This appears to be the immediate need for about a $5 million supplement.

Mr. Chairman, expression for the difficultires now confronting the territory have been well documented by the Inspector General's reports, by the Office of Territorial and International Affairs. A few days ago a letter was circulated by the Assistant Secretary which excluded my office which largely blamed the American Samoa Government for the current crisis.

At this point I would like to mention that I don't think anything is to be gained by finger pointing concerning the causes or reasons for our current problem but that the Office of Territorial and International Affairs must share some of the blame. I do not deny problems at the American Samoa Government level, but there is no monopoly on the involvement.

I would like to go on record as opposing the Assistant Secretary's idea, circulated in a letter to which I as not a recipient, that an Interior official be installed that would have approval over expenditures of both local and Federal moneys. I would record my protest to this as reverting to a scheme that resembles a reversion to the ways of the past when the Governor was appointed.

During the time when we debated the Omnibus Governor's bill in our Fono and submitted for approval to the Department of the Interior, great care was taken to provide safeguards through the now Inspector General's Office and this was deemed to be sufficient to provide careful and considered fiscal oversight and proper management procedures. To reverse this appears to turn back the clock on matters already determined and apparently working.

In summary than I would earnestly urge the committee to approve the fiscal year 1984 appropriation request and do whatever it feels would be in the best interests of the territory's current fiscal dilemma in the latter stages of 1983.

Thank you, Mr. Chairman, for the opportunity to express my views on the most important subject to my constituency, that of the proper funding and financial support of the territory of American Samoa, by and through the wisdom of Congress.

SHORTFALL PROGRAM

Mr. SUNIA. In a little while, my Governor as well as the other officials of my territory will testify as to the details of the American Samoa's presentation this year.

Very briefly, we come before you this year with a two-pronged request. Besides our initial annual fiscal year request, which this time will be for fiscal year 1984, American Samoa is also requesting special attention and assistance by the committee to the current shortfall problem in the government's finances.

As I said, the details will be presented by the Governor and the officials, and I urge the committee's attention and assistance to that particular problem.

I would like, before I am through, to make one point, and that is in regards to the assistance by the Office of Territorial Affairs to the territory at this particular time with regards to the financial problems of the territory. I am somewhat disappointed that no request was made for a supplement over in the House, and I hope you, sir, and this committee will take some action with regard to that.

The second matter I am concerned with the responses of the Department to this particular problem. I would hate to see us revert to the old systems of having Washington call all the signals and make all the authorizations. I would certainly like for our friends at Interior to work together with us on trying to save the system and to solve the problems on the basis of what has been developed at this time.

It has taken a long time and a lot of work, and I know it will work. Perhaps we are going to find the right people to make it work, and with the technical assistance of Secretary Sanjuan and his people, I am sure we can make it work.

Mr. Chairman, thank you very much for the opportunity to appear before you today.

Senator McCLURE. Thank you very much, Congressman.

Mr. SUNIA. Thank you very much, Mr. Chairman.

Senator McCLURE. I know you may have to leave at any point to make that plane, I want to state for the record how pleased we have been that you have been able to be here, and I don't want you to miss the plane.

Mr. SUNIA. Thank you, sir.

STATEMENT OF HON. RON DE LUGO, U.S. REPRESENTATIVE

SUMMARY STATEMENT

Senator MCCLURE. We will now hear from Congressman de Lugo.

Mr. DE LUGO. Thank you very much, Mr. Chairman.

Let me, first of all, present my formal statement and ask that it be made a part of the record, and let me thank you, Mr. Chairman, for your meeting with the Governors of our territories today. It was a unique opportunity for us in the territories, and I hope that in the near future, if there is any additional information that you might need, that the Delegates will provide that information to you.

I am going to be very brief, and I recognize we have a longtime friend in the chair today, and I want to thank you for your past assistance and for your knowledge of our needs in the territories.

In the Virgin Islands, we made our plea earlier this week on the House side in similar hearings, and I think we made our case, too.

For the Virgin Islands we have three concerns, and let me touch on them—the juvenile detention centers. We need $1.5 million to complete the second juvenile detention center.

The deficit elimination plan. The deficit is, in the Virgin Islands, $24.4 million, and the plan has been submitted by the administration, by the Governor as requested, and we are seeking $6 million that is currently authorized, hoping that that will be appropriated.

But our most vital need, Mr. Chairman, is the infrastructure—water and power—and I think this is—it is not only of great importance to our community and our people, but it is also of primary importance if we are to attract industry to this U.S. territory.

The Virgin Islands have had a difficult time in attracting business, and for that purpose we extended certain tax and trade incentives to businesses to urge them to come there. However, with the passage of the Caribbean Basin Initiative, when that is passed, many of those incentives will be lost to us.

So it becomes absolutely critical that we be able to at least offer a reliable infrastructure. We cannot do that at the present time. The power systems are—the power is off. Just this morning my district office was trying to transmit something to me, and the power was off. That happens all the time. It was off part of the time when I was back last weekend.

And the water distribution. As you know, we have come a long way with desalinization in the Virgin Islands. We now are able to produce

enough water, but we can't get it to the homes because we lose almost 50 percent of that water in the distribution.

There is a difference of opinion between ourselves and our good friends in the administration, and specifically in the Interior Department. We are seeking either a grant—grants that are authorized—or a loan to meet these needs, and Interior says, well, we have a bonding authority.

We made the case on the House side that the remaining bonding authority, some $31 million, is all earmarked, and earmarked for priority purposes, for schooling.

Nothing is more critical to our community than schooling. We just came off of almost 10 years of double sessions, and in the last couple of years we have been off of that, the improvement in the schools has been almost miraculous, but we are threatened with double sessions again, and particularly on the island of St. Croix and the Central High School.

We simply cannot put this off. We have got to use the bonding authority for such things as our schools and many of our other needs, such as the airport that is absolutely imperative in St. Thomas, the Harry S Truman Airport; in relocating the sewage treatment plant. That is going to cost us $4.2 million.

That is my plea, Mr. Chairman, that you look sympathetically on our needs, and I thank you for this opportunity.

[The statement follows:]

STATEMENT OF HON. RON DE LUGO

THE VIRGIN ISLANDS HAS FACED SEVERAL SET BACKS RECENTLY WHICH HAVE FRUSTRATED OUR EFFORTS TO MEET THE MOST PRESSING OF OUR NEEDS. HESS OIL REFINERY HAS LAID OFF SEVERAL HUNDRED WORKERS, THE REFINERY DECLARED NO PROFITS IN 1982 THUS LIMITING OUR TAX REVENUES FROM THAT SOURCE, OTHER INDUSTRIES IN THE ISLANDS ARE STRUGGLING, AND THE FISCAL ABILITIES OF THE VIRGIN ISLANDS GOVERNMENT HAVE REFLECTED THE STRAIN. ADD TO THIS SITUATION THE RECENT FLOODS IN ST. THOMAS AND ST. JOHN, BOTH RECENTLY DECLARED DISASTER AREAS BY THE PRESIDENT, AND YOU HAVE AN OUTLINE OF THE PROBLEMS FACING THE VIRGIN ISLANDS.

WE DO RECOGNIZE THAT THERE ARE OTHER JURISDICTIONS UNDER THE FLAG WITH EQUALLY PRESSING PROBLEMS. AS YOU KNOW, OUR FLEXIBILITY IN THE TERRITORIES IS FAR MORE LIMITED THAN THESE JURISDICTIONS. THUS, WE COME TO YOU ONCE MORE TO ASK YOUR HELP WITH OUR MOST URGENT CONCERNS.

I SINCERELY APPRECIATE THE EFFORT MADE LAST YEAR BY MEMBERS OF THIS COMMITTEE TO MAKE AN APPROPRIATION FOR THE VIRGIN ISLANDS WATER AND POWER SYSTEMS. THIS APPROPRIATION, HOWEVER, LIMITED AS IT WAS TO STUDIES OF OUR WATER AND POWER NEEDS, DID NOT REACH ANY OF THE PROJECTS PRESENTED TO YOU AS NECESSARY TO MAKE OUR WATER AND POWER SYSTEMS SELF-SUSTAINING.

AS THIS COMMITTEE SUGGESTED LAST YEAR, THE VIRGIN ISLANDS HAS BEEN PURSUING THE MEANS TO PROVIDE FOR OUR WATER AND POWER NEEDS WITHOUT DIRECT FEDERAL FUNDING. USE OF THE POWER GRANTED THE TERRITORY IN PUBLIC LAW 94-392 TO ISSUE GENERAL OBLIGATION BONDS GUARANTEED BY MATCHING FUND REVENUES IS PLANNED. IN FACT, OF A PLANNED 38 MILLION DOLLAR BOND ISSUE, OVER 20 MILLION WOULD BE USED TO FINANCE WATER, POWER, AND SEWER IMPROVEMENTS; THE BALANCE WOULD BE USED FOR SCHOOLS, COURTS, OLD AGE HOMES, AND OTHER SORELY NEEDED CAPITAL PROJECTS. UNFORTUNATELY, DUE TO THE TERRITORY'S POOR BOND RATING, IT IS LIKELY THAT NO MORE THAN 30 MILLION CAN BE SOLD, AND THIS ONLY WITH A FEDERAL GUARANTEE.

THE 38 MILLION BOND ISSUE IS PLANNED TO BE SOLD AS SOON AS FINAL AUTHORIZATION IS OBTAINED FROM THE VIRGIN ISLANDS LEGISLATURE.

ALSO, THE VIRGIN ISLANDS WATER AND POWER AUTHORITY HAS RECENTLY FILED WITH THE V.I. PUBLIC SERVICES COMMISSION AN AMENDMENT TO ITS

PENDING RATE INCREASE PETITION WHICH WOULD RAISE APPROXIMATELY 5 MILLION IN ADDITIONAL BASE RATE REVENUES PER YEAR. THIS IS PROJECTED TO RESULT IN A CONTINUATION OF THE AVERAGE CHARGE OF 16-17 CENTS PER KILOWATT-HOUR WHICH THE AUTHORITY PRESENTLY IMPOSES ON ITS RATEPAYERS, ONE OF THE HIGHEST RATES FOR ELECTRICITY IN THE NATION. SHOULD FUEL PRICES RISE AGAIN, THEN THIS RATE WOULD INCREASE EVEN FURTHER.

EVEN WITH THIS HEFTY RATE INCREASE, HOWEVER, THERE WOULD NOT BE SUFFICIENT FUNDS TO DEVOTE TO NEW CAPITAL EQUIPMENT; RATHER, THE INCREASE IS INTENDED TO BE USED TO MEET DEBT SERVICE PAYMENTS, TO PROVIDE WORKING CAPITAL, TO IMPLEMENT A LONG RANGE MAINTENANCE PROGRAM, AND TO ESTABLISH A BASE RATE THAT WILL COVER NORMALLY EXPECTED EXPENSES. AFTER 24 MONTHS AT THE NEW RATE, THE WATER AND POWER AUTHORITY PROJECTS THAT IT WILL BE ABLE TO SATISFY THE REQUIREMENTS OF ITS BOND RESOLUTION AND THUS COULD, IN THEORY AT LEAST, BE IN A POSITION TO FLOAT NEW BONDS FOR CAPITAL PROJECTS.

AS YOU CAN SEE, WE ARE MAKING EVERY EFFORT TO MEET OUR RESPONSIBILITY WITH REGARD TO PROVIDING THE COMMUNITY WITH WATER AND POWER. WE CANNOT, HOWEVER, MAKE THE NECESSARY IMPROVEMENTS WITHOUT SOME HELP.

THUS, I ASK YOU TO MAKE AN APPROPRIATION, FOR THE AUTHORIZED AMOUNT; OR, GIVE THE VIRGIN ISLANDS GOVERNMENT A LONG TERM, LOW INTEREST LOAN FOR 19 MILLION DOLLARS, TO BE BACKED BY OUR MATCHING FUND. THIS, COUPLED WITH AN ADDITIONAL LOAN OF 20 MILLION DOLLARS WITHIN THE NEXT FEW YEARS WILL ALLOW US TO PROCEED ON THE SEVERAL PROJECTS WHICH MUST BE IN PLACE BEFORE OUR WATER AND POWER SYSTEMS ARE CAPABLE OF BEING MAINTAINED BY USER FEES.

I HAVE APPENDED CAPABILITY STATEMENTS ON PROPOSALS FOR THE WATER AND POWER SYSTEMS PREPARED BY THE VIRGIN ISLANDS WATER AND POWER AUTHORITY AND BY THE VIRGIN ISLANDS PUBLIC WORKS DEPARTMENT. THEY ARE THE RESULT OF STUDIES DONE ON OUR WATER AND POWER NEEDS, AND REPRESENT THE FIRST FOUR YEARS OF A PLAN DESIGNED TO BRING THE SYSTEMS UP TO PAR, AND KEEP THEM THERE.

IN ADDITION TO OUR WATER AND POWER CONCERNS, THE VIRGIN ISLANDS IS STILL PLAGUED BY THE DEFICITS CREATED PRIMARILY BY CHANGES IN THE INTERNAL REVENUE CODE. THE VIRGIN ISLANDS GOVERNMENT HAS TRANSMITTED

A DEFICIT ELIMINATION PLAN TO THE DEPARTMENT OF INTERIOR. THE PLAN PROJECTS A DEFICIT OF 24.4 MILLION DOLLARS FOR FISCAL YEAR 1983. CONSISTENT WITH THE GOVERNOR'S REQUEST UNDER THE PLAN, I ASK THAT YOU APPROPRIATE THE 6 MILLION DOLLARS, AUTHORIZED IN PUBLIC LAW 96-597, TO ASSIST IN THE ELIMINATION OF THIS DEFICIT.

I THANK THIS SUBCOMMITTEE FOR ITS PART IN PROVIDING A 1.5 MILLION DOLLAR APPROPRIATION LAST YEAR FOR THE FIRST HALF OF OUR JUVENILE DETENTION CENTERS PROJECT. I AM PLEASED THAT THE ADMINISTRATION HAS RECOMMENDED APPROPRIATION OF THE 1.5 MILLION FOR FISCAL YEAR 1984 FOR THE SECOND HALF OF THIS PROJECT. I KNOW, GIVEN YOUR SUPPORT LAST YEAR, THAT YOU ARE CONVINCED OF THE MERITS OF THIS PROPOSAL, AND I ASK YOU TO APPROPRIATE ACCORDINGLY.

THE ITEMS REQUESTED ARE THE ONES WHICH THE VIRGIN ISLANDS CANNOT FINANCE ON ITS OWN AND WHICH ARE CRUCIAL TO THE OPERATION OF THE COMMUNITY CONGRESS HAS RECOGNIZED THIS IN GRANTING AUTHORITY FOR THE PROPOSALS. I URGE YOU TO FOLLOW THIS DIRECTION BY MAKING THE FUNDS AVAILABLE.

MY STAFF IS READY TO WORK WITH THE SUBCOMMITTEE TO PROVIDE ANY ADDITIONAL INFORMATION WHICH MAY HELP YOUR REVIEW OF THE REQUESTED APPROPRIATIONS.

THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

CAPABILITY STATEMENT PREPARED BY THE U.S. VIRGIN ISLANDS
WATER AND POWER AUTHORITY

Current Program: The Virgin Islands Water and Power Authority was created by the Virgin Islands Legislature in 1964. The Authority owns and operates electric power generation and distribution facilities on St. Thomas and St. Croix, which facilities are not physically interconnected. The only other island of notable size, St. John, which lies four miles east of St. Thomas, normally receives electric power transmitted from St. Thomas by underwater cable. A unit, for use during emergencies, is installed on St. John. The Authority is the only producer which distributes and sells electric power in the Virgin Islands, and it serves residential, commercial,

industrial and street lighting customers as well as the Government of the Virgin Islands. A limited number of industries generate part or all of their own power requirements. The Authority has approximately 39,000 customers.

The Authority also produces water as part of its Water System through a desalinization or distillation process, which is carried on in conjunction with its steam electric power generation. The Department of Public Works of the Virgin Islands purchases water produced by the Authority.

In past years, a number of engineering reports commissioned by both the Authority and the Virgin Islands Government have focused on certain condition of disrepair which existed with respect to the Electric System as adversely affecting the reliability of electric service of the Authority.

Among those factors to which such engineering reports referred were the lack of a maintenance management program, the need for employee training programs and for a comprehensive preventative maintenance program, and the need for major repair and overhaul work with respect to some of the equipment of the Authority's power production facilities.

The Authority has since the issuance of these reports instituted an extensive repair and preventative maintenance program with respect to its facilities and has sought to follow many of the recommendations set forth in such reports.

Since 1978, the Virgin Islands Government has contributed grants totaling $14,400,000 to the Authority for the purpose of acquiring new generating equipment and to undertake major overhauls of the existing plants of the Electric System.

Additionally, to remedy water shortage and operational difficulties, the Authority has added production capacity to the Water System by constructing new desalinization plants with grant monies from the V.I. Government. Those grants have amounted to $17,653,000.

With those funds the Authority acquired two 20 megawatt combustion (gas) turbines, one each located on the islands of St. Thomas and St. Croix, to provide stationary power while major overhaul work is being accomplished on existing equipment. Overhaul of two steam generators on St. Croix has also been completed.

In May, 1982, the local Public Services Commission approved a maintenance surcharge which will generate an annualized $5,874,000. The Authority has completed major overhauls on three main generating units at a cost of $3,200,000, and is utilizing the remaining surcharge funds on other generating equipment.

As a result of a $1,000,000 appropriation from the Virgin Islands Government, the Authority is now in the process of acquiring a new 2.5 MW standby diesel generator on the island of St. John.

Three desalinization plants have been constructed, two on St. Thomas one on St. Croix. Each plant has a rated capacity of 1.25 MGD. Each plant has a rated capacity of 1.25 MGD and is in production. Three more plants, two on St. Croix and one on St. Thomas are under construction. Each is rated at 0.55 MGD.

Additionally, one desalinization plant on St. Croix was retrofitted to produce 1.0 MGD.
All funds have been utilized and the V.I. Government is not in a position to give additional financial assistance.

Amount Budgeted FY-1984: None
Feasibility: The objectives of the Authority are to have electric power generating and distribution equipment in a reliable and adequate status, optimizing economic utilization of available fuel sources to meet present and future demands. The same holds for the Water System.

The major rehabilitation program of baseline electric generating equipment begun by the Authority is intended to achieve those objectives. However, without additional external funding, the increased reliability and efficiency achieved to date could rapidly diminish.

If the funding is granted, the Authority will be able to effect repairs to the electric distribution system on all three islands with resultant lower line losses and afford firm supply of power to St. John.

The first order of priority is to acquire and install the underwater electric distribution cable to St. John and to construct the 34 KV subtransmission system on St. Thomas. Implementation of this work has been deferred for several years, resulting in costly emergency

repairs to the underwater cable. The existing cable, installed some twenty seven years ago, suffers from recurring damage due to age and results in excessive repair costs; it needs to be replaced.

The 34.5 KV substation is being installed as the initial part of a 34.5 KV subtransmission system designed to upgrade the entire distribution system. The substation will result in a reduction in line losses, improve system capacity, enhance load switching capability and improve system conditions such as voltage drop and flutter.

The second priority is to undertake other improvements to the electrical distribution system on both islands so that inordinate line losses now averaging 12 - 14 percent can be reduced.

The third priority is the installation of Waste Heat Recovery Boilers for the supply of process steam necessary for the production of water. It will also be able to add additional steam capacity required for continued production of water.

The fourth priority is for the addition of a new steam generating capacity on St. Croix in order to replace retired gas turbine capacity, reduce fuel oil expenses and provide increased process steam capacity.

Capability:

Description of work to be accomplished between July 1, 1983 and June 30, 1984.

St. Thomas-St. John

Replace submarine Cable System to St. John three main cables plus one spare. Project has been deferred twice for lack of funds resulting in costly emergency repairs.	$1,800,000
Construction of a 34 KV Subtransmission System. This system planned eight years ago is needed to upgrade the 15 KV system and relieve over-loaded feeders. The system to be constructed consists of a 34 KV substation, 34 KV subtransmission lines, 34-5/15 KV distribution substation. Construction has been deferred due to lack of funds and impediments of the Authority's long-term indebtedness Bond Resolution.	1,294,000
Conversion of 4-16 KV distribution feeders to 15 KV by replacing 40-year -old, deteriorated distribution lines.	348,000
Subtotal (STT.)	$3,442,000

St. Croix

Improvements to the distribution system	1,158,000
Waste Heat Recovery Boiler	2,400,000
Subtotal (STX.)	$3,558,000
Total for FY 1984	$7,000,000

OUTLAY EFFECT FOR FISCAL YEAR 1985

Description of work to be accomplished between July 1, 1984 and June 30, 1985.

St. Thomas-St. John	Cost
Wasteheat Recovery Boiler	$2,400,000
Improvements to and equipment for the Distribution System	1,116,000
Seawater desalting unit for St. John	1,000,000
Subtotal (STT.)	$4,516,000

St. Croix

Improvements to and equipment for the Distribution System	$1,134,000
New 25 KV Feeder	880,000
Boiler de-superheater and pressure reducing station	345,000
Growth projection and sizing study for new steam generating capabilities	125,000
Subtotal (STX.)	$2,484,000
Total for FY 1985	$7,000,000

OUTLAY EFFECT FOR FISCAL YEAR 1986

Description of work to be accomplished between July 1, 1985 and June 30, 1986.

St. Croix

First year of the purchasing and installation of a new steam generating unit to meet growth pattern and replacement of older deteriorated generating units.	$7,000,000
TOTAL FOR FY 1986	$7,000,000

OUTLAY EFFECT FOR FISCAL YEAR 1987

Description of work to be accomplished between July 1, 1986 and July 30, 1987.

St. Croix

Second year of the purchasing and installation of a new steam generating unit to meet growth patterns and replacement of older, deteriorated generating units.	$7,000,000
TOTAL FOR FY 1987	$7,000,000

CAPABILITY STATEMENT PREPARED BY THE U.S. VIRGIN ISLANDS

DEPARTMENT OF PUBLIC WORKS

Current Program: Through a $500,000 grant from HUD, engineering studies resulting in a Master Plan for repairs and improvements to the territorial water distribution system have been underway since August, 1981 and are now 95% complete. Early out projects identified in the Plan and implemented during the past fiscal year include: $850,000 for the repairs of two 10.5 mg water storage tanks on St. Thomas; $225,000 to complete and activate the St. Thomas East End Water Transmission System; $680,000 for the installation of a 2 mg water storage tank at Estate Mon Bijou, St. Croix; $400,000 for the installation of water lines at Estate Glynn, St. Croix; $45,000 to replace and install 1,200 water meters on St. Thomas.

Upon completion of the Master Plan, the FmHA and EDA are committed to $500,000 grants each, plus a low interest loan of $2,500,000 for plan implementation in rural and urban areas of the territory.

Amount Budgeted FY/84: None

Feasibility: The major portions of the territory's water distribution system were installed during the early 1950's and have deteriorated over time because of the highly corrosive soils in which the pipe was laid, and the chemically aggressive nature of the desalinated water used since the mid 1960's. Also significant is the fact that inconsistent water supply during these years resulted in numerous time frames when no water was in the pipe accelerating the oxidation process.

CAPABILITY STATEMENT: WATER SYSTEMS

Sonic testing of the distribution system indicates approximately 40-45% of the water on St. Thomas and 15-20% of the water on St. Croix is lost due to system leakage. These percentages translate into a daily loss of $17,000 in water revenues.

Clearly, the V.I. Government cannot afford to lose over seven million dollars annually to leakage loss. The water problem has been a top priority for the last four years during which time a concerted effort was made to generate a comprehensive engineering analysis of the problems, while

simultaneously making constructive improvements to the system. The V.I. Government is now ready to act, confident in the direction established by the Plan. However, no authorization exists to provide the required funding. The local government is incapable of providing all the financing necessary to accomplish our twin goals of eliminating the need for subsidizing the system and improving the quality of water delivered to the consumer.

Capability:

The total cost of replacing and improving the existing territorial water distribution system is estimated at $30-$32 million (in 1982 dollars spent over 8 years until 1990). Funding sources are identified as follows: $12 million federal funds (4 years); $1.0 million grant FmHA, EDA: $2.0 million CDBG: $2.5 million FmHA bond issue; $13 million VIG contribution.

Construction Sequence and Financing Requirements:

Fiscal 84	Rehabilitate Charlotte Amalie, Phase I, Year I	$ 375,000
	Replace Airport Water Main Year I	125,000
	Construct Tutu-Bovoni Water Line Year I	500,000
	Replace Sugar Estate Water Mains and Construct .5 MG Tank	780,000
	St. Croix System Rehabilitation, Phase I, Year I	500,000
	Construct Line from Richmond to Dolby Hill	650,000
	Construct Caroline, St. John Well Field	70,000
		$3,000,000
Fiscal 85	Rehabilitate Charlotte Amalie, Phase I, Year II	$ 375,000
	Replace Airport Water Main, Year II	125,000
	Construct Tutu-Bovoni Water Line Year II	500,000
	Rehabilitate Charlotte Amalie, Phase II, Year I	500,000
	St. Croix System Rehabilitation, Phase I, Year II	500,000
	St. Croix System Rehabilitation, Phase II, Year I	250,000
	Water Line from Richmond to Dolby Hill	650,000
	Construct 50,000 G Storage Tank Carolina, St.John	100,000
		$3,000,000
Fiscal 86	Rehabilitate Charlotte Amalie, Phase II, Year II	$ 500,000
	Construct Tutu-Bovoni Water Line Year III	500,000
	Construct Gomez School Water Tank Year I	500,000
	Repair Salt Water System, St. Thomas	100,000
	Replace East-West Lines, Frederiksted	450,000
	St. Croix System Rehabilitation, Phase II	250,000
	Construct Line Concordia to Kingshill, Year I	385,000
	Repair Salt Water System, St. Croix	100,000
	Construct Transmission Line from NPS Dock to Roman Hill, add hydrants	215,000
		$3,000,000
Fiscal 87	Rehabilitate Charlotte Amalie, Phase II, Year III	$ 500,000
	Construct Gomez School Water Tnak, Year II	500,000
	Construct Careen Hill 2 MG Tank	500,000
	Concordia to Kingshill, Year II	385,000
	Construct 1 MG St. John Tank, St. Croix	540,000
	Construct Wheel of Fortune 5 MG Tank and Transmission Line	575,000
		$3,000,000

The foregoing program addresses only the correction of an existing problem. The extension of water delivery capability into new population centers will be undertaken by the local government from increased revenues resulting from improved system efficiency. It is estimated that another $40 million, to be spent through the year 2000, will be necessary to implement the planned expansion of water services to the people of the Virgin Islands.

Senator MCCLURE. Thank you, gentlemen, very much. I appreciate your summary statements and the highlighting. Your full statements are in the record, and I look forward to working with you as we try to address the problems that do affect the territories.

Thank you very much.

Mr. DE LUGO. Thank you, Mr. Chairman.

Senator MCCLURE. I should note at this point that the committee has received written statements from a number of territorial governments, as well as other interested individuals. Those statements will be made a part of the record at this point, and we will hold the record open until Thursday, May 26, if interested parties desire to file further statements.

The attached materials that are submitted along with the statements will either be made a part of the record or placed in the committee file, whichever is appropriate.

[The statements follow:]

STATEMENT OF HON. RICHARD J. BORDALLO, GOVERNOR OF GUAM

Thank you, Mr. Chairman and members of the committee, for the opportunity to appear today and testify on behalf of the people of Guam, relative to the proposed appropriations to the Department of the Interior for Guam for Fiscal Year 1984.

Upon taking office on January 3, 1983, my administration was immediately faced with the most severe fiscal crisis in Government of Guam history. The accumulated General Fund deficit reached $109 million at the end of 1982. Unfunded liabilities to the retirement fund continued to be ignored for a cumulative obligation of $40 million. Excessive expenditures by the previous administration depleted the Government of Guam Treasury by such practices as the hiring of limited term employees that cost the Treasury over $4 million, payment of a lump-sum cost of living adjustment to 12,281 Government of Guam employees that cost the Treasury over $10 million, and excessive disbursement from the General Fund that alone during the months of October and November 1982 totaled $43.5 million from the Treasury.

Since taking office, I have continued to take effective action to establish the Government of Guam on a sound fiscal basis. I have instituted an Ad Hoc Committee on Fiscal Policy to investigate, review, research, and implement sound fiscal management policies.

As a result, I have terminated the employment of 1,045 employees of the Government, saving nearly $900,000 a month. I have postponed all reclassifications, promotions, and salary increments until the Treasury is in a better position to fund them. Travel is being significantly reduced and must be personally approved by myself. Thus, I have saved $86,000 over the previous quarter's travel expenditures. Overtime payments have been reduced from the previous quarter's amount of $1.2 million to $200,000. In addition, we have increased revenue collections by half a million dollars a month.

However, these measures were not enough, because the Government of Guam last month was faced with $52.2 million liabilities that include vendor payments of $4.6 million, retirement payment of $7.2 million, autonomous agency payments of $1.5 million, a bi-weekly payroll of $4.3 million, tax refunds of $16 million, a corporate tax rebate of $6.7 million, carry-back loss claims of $5 million, and replenishment of capital improvement projects of $6.9 million.

Accordingly, I recommended to the Seventeenth Guam Legislature a tax package to be the keystone of the future fiscal integrity of the Territory of Guam. This package included increases in the Gross Receipts Tax, alcohol and tobacco taxes, liquid fuel tax, and the hotel occupancy tax. In addition, I sought the repeal of the exemption from payment of the liquid fuel tax on certain sales and perhaps most important, I have requested that the surcharge on income tax of 10% be enacted. Together these taxes would yield Guam an additional revenue of $34 million per year.

The Seventeenth Guam Legislature responded on April 7, 1983 with passage of an initial tax package that will yield an additional $3.3 million annually. Although this additional yield is not enough, I am continuing to work with the legislature to seek prompt passage of additional tax measures, including passage of the surcharge on income tax.

In addition, the Guam Legislature has responded to measures that I have taken regarding fiscal management to address the efficiency and cost-savings of the Executive Branch. My administration is researching and evaluating a significant reorganization of the Government of Guam that would reduce the size of the Government.

One of the priorities of my administration, if not the highest priority, is the economic rearmament of the Territory of Guam. We are committed to further reliance on the private sector and a reduction in the scope of the Government of Guam to insure a stable island based on economic freedom and to insure that Democracy is not threatened on Guam by deteriorated economic conditions.

However, there are two key linkages that are crucial regarding our relationship with the federal government and economic rearmament of the Territory of Guam. First, the federal government should provide Guam with the necessary infrastructure to base Guam's economic self-sufficiency. Second, the federal government must grant Guam relief from regulations that hinder our economic self-sufficiency causing uncertainty for private investment on Guam.

I need only illustrate three examples of this uncertainty that my administration has been faced with since taking office in January. First, during the height of the mahi-mahi season two months ago, Guam air-freighted the fresh fish to Hawaii. Then, the Food and Drug Administration chose to equate Guam with Ecuador and Taiwan and threatened to hold the fish shipments

for 21 days while the fish was sampled for testing in California for histamine. This, of course, would be a crippling blow to the Guam Fisherman's Cooperative in their efforts to export fresh fish to Hawaii. Fortunately, with swift and key contacts, my administration was able to solve the problem. However, without a permanent political status resolution for Guam, the problem could materialize again.

Second, last month, the Immigration and Naturalization Service seized a Guam-based fishing boat. Again, my office promptly requested the release of the vessel, which was granted so that the vessel's contribution to the economy of Guam could continue. Again, the problem could resurrect itself without our political status determined.

Third, the most serious infringement of our rights under the United States and our attempts toward economic rearmament is the Internal Revenue Service's ruling that prevents the establishment of international financing subsidiaries on Guam. I will continue to state that such infringements will not be allowed to go unopposed, since I feel that it is counter-productive to the economic development of Guam and also not in the best interests of the United States.

Today, I am presenting substantial information relative to the recommended appropriations to Guam in the Fiscal Year 1984 budget. These include funding for the Tumon infrastructure system of water, sewer, drainage and road; the Guam penitentiary; renovation of the Guam Memorial Hospital; the Guam Economic Development Authority loan fund; and the deficit elimination plan. I wish to briefly describe the priority of each project from the viewpoints of economic self-sufficiency and protection of the public's health and safety.

TUMON BAY INFRASTRUCTURE ($11,346,800)

First, Tumon Bay on Guam's northwestern coastline has become the tourist mecca of the island, which is the bright element in the non-government component of our economy. Presently, there are eleven (11) hotels with 1,984 rooms situated on Tumon Bay, with all hotels experiencing occupancy rates of over 95%. This has resulted in creating a cap on tourists visiting Guam until such time as additional hotel rooms are constructed. Fortunately, commitments have been secured and plans are progressing for the construction of an additional 1,290 hotel rooms on Tumon Bay with at least one hotel, the Japan

Plaza, presently under construction to help meet the anticipated increase in tourists.

However, the infrastructure, especially the water and sewer systems, has reached its capacity and its rapid expansion is essentially to meet the needs of the expanding tourism sector of Guam's economy. The present water supply system utilizes undersized distribution lines that cannot supply enough water at peak demand times, has insufficient storage capacities for consumption and firefighting requirements and has frequently malfunctioning pressure regulating equipment. Furthermore, the water system has an insufficient number of required hydrants in Tumon Bay.

Similar, the Tumon Bay sewer system is incapable of handling the area's wastewater demands. The system, which includes interceptor and lift stations, is incapable of accommodating heavy peak flows, resulting in the present hotels collecting their wastewater in holding tanks for release during the early morning hours. However, any breakdowns or malfunctions in the lift and pump stations results in backups and overflows of the stations and manholes posing serious health hazards to tourists and residents alike.

Drainage of Tumon presently utilizes five separate storm drains into Tumon Bay. This has resulted in turbidity and sedimentation of the bay, and an increase of pollutant levels in the bay. The Bay is slowly experiencing a deterioration in its quality aquatic environment. This quality environment was the prime reason for hotels located on Tumon Bay. Therefore, in order to preserve the environmental quality of Tumon Bay for the benefit of Guam's tourism businesses, it is necessary to dispose of storm water runoff inland.

In addition, with the anticipated rapid increase of visitors to Tumon Bay there will be a corresponding increase in vehicle traffic on San Vitores road, the only road that travels the length of Tumon Bay. Already, San Vitores road is characterized as having poor road conditions with such items as insufficient sight clearances at intersections, unsafe curve radii, inadequate road shoulders, and separate left turn lanes. The present road is only two lanes.

Therefore, for proper planned development and to meet the imminent private development of Tumon Bay it is essential to develop Tumon Bay's infrastructure needs concurrently.

GUAM PENTITENTIARY ($8,492,196)

The next request concerns the construction of the Guam Penitentiary. Upon assuming the office of the Governor, I became aware of the prior project's poor management. No further requests had been made to the federal government to fully fund the original 1977 estimate of $10 million after the original funding of $6.5 million in FY 1980. Thus, I am faced with the present project of construction of limited facilities that will house only 70 inmates, while the Guam Penitentiary normally has an inmate population of about 130. In addition, the previous administration illegally encumbered $1.8 million more than the original federal funding for the project. While my administration fully intends to hold those individuals accountable for such action, that in itself does not secure the additional funding.

Initially, in March of this year, I requested $4.1 million to complete construction of essential facilities at the Guam Penitentiary. Since that time, my administration has re-evaluated the needs of the Penitentiary. In addition, the Office of the Inspector General, Department of the Interior, has reviewed this project and recommends that Guam "provide a fully functional facility." I concur that the necessary facilities need to be expanded, since Guam must have a fully functional facility.

Accordingly, the Guam Penitentiary requires a total of $8.5 million for the following facilities: administration building, chapel, two housing units for men, relocate housing unit for women, halfway house building, gymnasium, renovation of existing buildings, security fencing, contract administration costs, collateral equipment, and to cover contractual over-encumbrances. Therefore, upon appropriation, I will ensure that the facility is properly constructed to meet the present and future public protection and safety needs of the People of Guam.

GUAM MEMORIAL HOSPITAL RENOVATION ($4,824,815)

The third project is the renovation of the Guam Memorial Hospital as authorized by Public Law 95-134, as amended by Public Law 95-348 and Public Law 97-357. Guam Memorial Hospital is the only public hospital in the Territory of Guam that provides both short and long-term in-patient care services, as well as mental health, emergency, and related out-patient services.

In order to improve the services that Guam Memorial Hospital provides to the people of Guam, the hospital has recently completed a long-range Institutional Plan that addresses six major areas, including facilities. Therefore, I am requesting an appropriation of $4.8 million to be utilized for renovation of the Guam Memorial Hospital which also includes architectural and engineering design for the entire scope of $9 million of improvements which includes (1) 57 long-term beds, (2) 25 psychiatric beds, (3) hemodialysis unit, (4) expand and modify configuration of many areas for efficiency. In addition, the funding also includes construction of kitchen improvements, and stairwell enclosures. An additional $1 million is being requested for the Northern Health Center to give Northern Guam a fully functional health center.

GUAM ECONOMIC DEVELOPMENT LOAN FUND ($1,000,000)

The fourth request is for additional funding of $1 million to the Guam Economic Development Authority loan fund. In order for Guam to properly continue its development of the private sector in an environment attractive to the private sector, the Government of Guam must provide financial resources to private businesses through loans and loan guarantees. Funding of the Loan Fund enables the Guam Economic Development Authority (GEDA) to provide financial assistance to businesses and organizations which desire to implement projects consistent with Guam's economic development goals and which cannot secure assistance from lending institutions because of the high risk involved. Therefore, in order for Guam to continue its economic rearmament, it is necessary for the Congress to fund the Loan Fund. Presently, GEDA has fifteen loan applications pending for a total of $2.8 million, while the presently available fund only contains $1.2 million.

DEFICIT ELIMINATION PLAN ($33,500,000)

The last item is the request for funding of the Deficit Elimination Plan which I submitted to the Department of the Interior in February, 1983. The Plan is an essential document for implementing the sound fiscal recovery of the Government of Guam. As you have noted from my previous statements, my administration has already commenced austerity and revenue measures leading toward a sound fiscal Government of Guam. Further measures are outlined in the Plan, including implementation of an effective budgeting and accounting system, a revenue and expenditure projection plan, implementation of an

effective revenue and taxation system, legislation for addressing deficit elimination, and other proposed actions for addressing deficit elimination.

In addition, I have noted prior authorizations for the Plan for Fiscal Years 1982 and 1983 which have not been acted upon because of the failure of the prior administration to prepare a sound and acceptable deficit elimination plan. Therefore, based upon the anticipated acceptance of the plan that I have submitted to Interior, I am requesting that the prior authorizations for Fiscal Years 1982 and 1983 be included in the appropriation for Fiscal Year 1983, for an appropriation of $33.5 million so that the people of Guam will not be presently penalized for the inaction of the previous administration.

In addition, there are two other points regarding funding of territories I wish to mention. I am disturbed at the reduction of funding recommended for technical assistance of only $900,000, while the previous years' appropriation was $4,977,000. I believe it is inappropriate to reduce the funding and concurrently the scope for a worthwhile program when the program is in its initial stages of development. Second, there has been prior reference that the territory should possibly contribute 10% for capital improvement plans. This is something simply not feasible because of the fiscal state of the Government of Guam nor is it compatible with the requirements of Public Law 95-134.

In conclusion, I welcome this opportunity to work with the Congress toward solving the problems of Guam and providing for the economic rearmament of the People of Guam.

CAPABILITY STATEMENT

TUMON BAY INFRASTRUCTURE

Attachment #1

Agency/Department:

Department of the Interior/Territorial and International Affairs

Appropriation:

Administration of Territories

Activity:

Government of Guam

Proposed Amendment:

$11,346,800 for the San Vitores Road, Waterlines, Sewer Lines, and Drainage

Current Program:

Within the past 10 years, tourism has become Guam's second largest industry. After receiving favorable response as a markable international tourist destination and industry, investors began to build hotel facilities in the Tumon Bay area. The first major hotels were built in the late 60's and early 70's and all located in the Tumon Bay area. As the need for more tourist accommodations became apparent, a second period of hotel construction took place. Today, there are eleven (11) established hotels situated in the Bay area which accommodates approximately 85% of the tourist traffic staying on Guam. Of the 2,470 hotel rooms on Guam, 1,984 are located in Tumon Bay. This level of accommodations is expected to increase by approximately 1,290 hotel rooms within the next two (2) years with the planned expansion of two major hotels and the planned construction of four additional hotels. A listing of these planned developments is as follows:

. Hotel of the Marianas, Inc. dba Guam Hilton	101 rooms
. City Hill Company (Guam), Ltd.	120 rooms
. Nauru Development Corporation	450 rooms
. Ysrael Enterprises	319 rooms
. Guam Hotel Okura	100 rooms
. Japan Plaza	200 rooms
Total Additional Rooms	1,290 rooms

However, the development of these endeavors is only possible through the upgrading of existing water, sewer and road infrastructure system of the Tumon Bay area. The average hotel occupancy rate ranges over 95% year round. Over the past 10 years, the total number of visitor arrivals have almost tripled. In 1980, a record breaking 300,767 tourists came to Guam as compared to the 1970 figure of 73,000 . For the previous two years, visitor arrivals of approximately 321,000 annually appear to have reached a plateau in growth, clearly indicating a need to expand the hotel facilities.

The present Tumon Bay infrastructure system particularly the sanitary sewer and water facilities is inadequate to handle the area's demands. This is probably one of the most significant obstacle towards accommodating resort development in the Bay area. The present water system is incapable of providing adequate water supply to the area. The system consists of undersized distribution lines which cannot supply water at peak demands, has insufficient storage capacities for consumption and fire fighting requirements, has frequent malfunctioning pressure regulating equipment and has an insufficient number of required fire hydrants in the area. Anymore additional tapping and/or hook-up to the present waterline system would result in a serious breakdown of the area's water system.

The Bay's sewer system is also incapable of handling the area's wastewater demands. The system which includes an interceptor and lift stations is incapable of accommodating heavy or peak flows and the collectors are undersized for the amount of sewage flowing through the system. Lift and pump station breakdowns are steadily increasing as a result of heavy sewage in-flows and presents serious health hazards as a result of backups and overflows of these stations and manholes. Situations such as these have forced owners of hotels and large apartments to install holding septic tanks at great expense. Frequent discharges of raw sewage have occurred on roads and walkways, creating displeasing odors in the vicinity.

The Tumon Bay Tourism Development Feasibility Study has recommended, that before any future development is allowed in the Tumon Bay area, the existing water and sewer line systems must be upgraded.

The Bay's road network consist of one major roadway - San Vitores Road. The road conducts 2-way directional traffic and connects traffic from the north to the south side of the bay. It is capable of handling the area's daily traffic but is characterized as having poor road conditions such as intersections having insufficient sight clearance and lanes being too narrow. The location of the San Vitores Road is unique because of the numerous secondary roadway inlets that have converged onto the San Vitores Road, all descending from the adjoining hills. These roadway intersections have caused numerous accidents during wet conditions. Furthermore, manhole covers and lateral depressions are exposed above the road surface as a result of the continuous traffic flow in the area. The proposed road construction project will eliminate these problems and provide additional safety measures for our tourists and residences alike. The project would also include the construction of sidewalks, bike lanes, crosswalks and ultimately improve the roadway's surrounding and appearance.

Tumon Bay does not have an established storm drainage infrastructure. Five separate storm drainages now discharge storm water directly into the bay. These storm drains are in fact effluent lines from major hotels located near the shoreline. It is generally acknowledged that discharges of storm water have significantly polluted Tumon Bay and are a major cause of the turbidity and sedimentation in the Bay. Results of recent studies on Guam's portable water source - the northern Aquifer - reveal that Tumon Bay serves as a major groundwater discharge basin. This helps to filter and maintain the purity of the Bay's shoreline waters. However, because Tumon Bay's greatest asset is in its clean unblemished marine environment, conventional storm drainage disposal practices (such as direct discharge into the Bay) must be phased out in favor of more innovative environmentally acceptable yet practical solutions. For these reasons, local and federal government agencies are expected to deny permits for any further discharges. Existing discharges must also be eliminated or substantially reduced in the future to insure the protection of the entire Tumon Bay area development. Some investors are interested in developing further investments in the area, but are impeded by these constraints.

Amount Budgeted FY 1984:

$4,038,000 has been budgeted by the Department of Interior under its FY 1984 Construction Program. The Government of Guam is seeking an additional $7,308,800.

Feasibility:

The proposed amendment amount of $11,346,800 would enable construction of the critically necessary water and sewer facilities together with the upgrading of San Vitores Road to accommodate the present and future vehicular and pedestrian traffic. The entire scope of work if the requested amount is provided consists of the following:

Water System

1) Installation of a new 12" diameter transmission line wwith appurtenances within the San Vitores road right-of-way corridor from its intersection with Gun Beach road (near the Okura Hotel) to Tumon road.

2) Continuation of the 12" diameter transmission line along Gun Beach road to Faifai (Gun) Beach.

3) Continuation of the existing 8" diameter line along Duggan's Gulch road to connect with existing transmission line on Route 1.

4) Installation of 6" and 8" diameter distribution lines with appurtenances routed through the proposed utility ROW network.

5) Activation of the 1.0 million gallon Tumon Loop reservoir and interconnection of the storage facility with the transmission mains feeding the project area.

6) Replacement of the pressure regulating valves (PRV) at Tumon and San Vitores roads and installations of a new PRV station along Duggan's Gulch road.

7) All lines will include appropriate firefighting and valving appurtenances.

Sewer System

1) Construction of new interceptor sewer line along San Vitores Road consisting of the following segments:

   . 1875 linear feet of 12" Ø line from the Okura Hotel to the Bay View Apartments

   . 2470 linear feet of 18" Ø from the Bay View Apartments to the Fujita Lift Station

   . 800 linear feet of 18" Ø line from the Dai Ichi Hotel to the Fujita Hotel
   . 350 linear feet of 12" Ø line and 1370 linear feet of 18" Ø line from the Dai Ichi Hotel to the Fujita Lift Station
   . 100 linear feet of 30" Ø line influent line to the Fujita Lift Station wet well

2) Construction of a new lift station to replace the existing Fujita station having a total ultimate pumping capacity of 4000 GPM, including 2050 linear feet of force main from the lift station to Route 1 along Duggan's Gulch road.

3) 19605 linear feet of 8" and 10" Ø collector lines to serve the residential and tourist commercial areas designated in the Master Plan.

4) 2020 linear feet of 8" Ø collector line along San Vitores Road, from Pacific Islands Hotel and Beach Colony (formerly Continental Hotel) to the Ypao Lift Station.

5) Enlarge the wet well at the Ypao Lift Station.

6) Enlarge the wet well and provide mechanical improvements to the Mamajanao Lift Station.

Storm Drainage

1) Construction of major drainage lines along the San Vitores ROW in conjunction with road improvements.

Diameter of Pipe	Approximate Length
18" Ø	2400 LF
24" Ø	2500 LF
30" Ø	3400 LF
36" Ø - 48" Ø	

2) Construct/develop five percolation basins along the San Vitores ROW and enlarge the existing basins at Ypao Park and near the Guma Trankilidat housing complex in conjunction with road improvements.

3) Construct an underground storm water collection network in conjunction with the development of the traffic circulation and utility ROW corridors.

Diameter of Pipe	Approximate Length
18" Ø	9700 LF
24" Ø	3700 LF
30" Ø	1550 LF

Road Construction

Two existing lanes will be widened to 12 feet each and a 16-foot center turning/median strip added to facilitate left turn movements. Landscaping features, sidewalks and bikeways associated with this project, will enhance the overall appearance and function of vehicle and pedestrian circulation throughout Tumon Bay and its surroundings. The total cost includes vertical and horizontal realignment, power pole relocation and complete reconstruction to meet modern standards. Travel lane channelization is planned for San Vitores' intersections with Tumon Road, the Ypao Beach Park access road and Ypao Road. Skid-proofing will be applied on the inclines, at the north and west ends of the project.

The inadequate sewer and water facilities in the Tumon Bay area greatly inhibit further development. If only $4,038,000 is provided for improvements in the area, the water and sewer projects would naturally have first priority. This amount appears adequate to install these much needed facilities. However, the protection of the Tumon Bay environment through construction of adequate drainage

structures, and the upgrading and beautification of the existing roadway after the usually disruptive sewer and water installation would not be possible without the additional funding. We anticipate that the entire roadway area would be in disarray after installation of the utilities thereby presenting an unattractive picture to future visitors. The reduction in funding would therefore result in incomplete infrastructure development. The impact may be continued inhibition of further development due to major constraints of inadequate road and drainage infrastructure still existing.

Capability:

Funds will be utilized for the following activities:

	Water	Sewer	Drainage	Road	Subtotal
1) Construction	$ 872,831	$1,920,228	$1,658,379	$4,276,872	$8,728,310
2) Equipment	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
3) Land Acquisition and site preparation	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
4) Planning and design	52,370	115,214	99,503	256,612	523,699
5) Supervision and overhead	122,196	268,830	232,173	598,761	1,221,960
6) Contingencies	87,283	192,024	165,837	427,687	872,831
Subtotal	$1,134,680	$2,496,296	$2,155,892	$5,559,932	
Total Project Cost (FY 1984)					$11,346,800

Outlay Effects:

Fiscal Year: $11,346,800

DEPARTMENT OF CORRECTIONS

(Attachment #2)
CAPABILITY STATEMENT

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Administration of Territories

Activity: Government of Guam

Proposed Amendment: An additional $9,656,896 to complete the construction of the Penitentiary. $8,492,196 for Fiscal Year 1984

Current Programs:

The original Interior Grant to Guam for the Penitentiary was for $6.5 million dollars in FY-80. The basis was Guam's original proposal submitted in 1978 for a prison facility at a cost of $10.3 million dollars to house 266 inmates.

The facility presently under construction will have a maximum capacity for only 70 inmates while the Guam Department of Corrections currently has 132 inmates in custody. The facility under construction will, therefore, house less inmates than are presently assigned to Corrections.

As planned, inmate housing in the new facility was to be single-occupancy cells as to provide segregation, discipline of individual inmates without affecting others; protection from abuse by other inmates, and to simplify assignment of incompatible and incorrigible prisoners. The original design of the Correctional Facility Complex provided for a range of penitentiary housing for male and

female inmates, support facilities, a facility for inmates in Work Release, recreation facilities, academic and vocational programs, and an administration building. The Masterplan is a comprehensive plan for an adequate, functional correctional system.

In approximately two years after the Masterplan for the new facility complex was completed, certain facilities, as planned, were omitted due to funding limitations and increase of construction costs. First to be omitted was the planned Administration Building. Following other omissions are: The Halfway House for work-release, construction of a 32 inmate capacity female unit, the recreation facilities, two 48 inmate capacity male residential units, one 36 inmate capacity male unit, recreational facilities, prison chapel, and the renovation of present buildings for academic and vocational programs. What remains of the Masterplan, not counting site development, security system and additive relocation, are: one residential unit for 48 male inmates; and the support complex building for 22 male inmates for a total of 70 male inmate capacity.

The omission of these facilities is expected to have a profound negative effect on the functional capabilities of Guam Corrections. The deletion of the Administration Building will provide the Corrections' Administration with only a temporary, non-typhoon proof structure which is expected to be replaced or upgraded within the next three (3) years. The present renting of housing for the Work Release Program, away from the proximity of the Correctional Facility, causes added administrative cost, inadequate program monitoring, and security risk. Presently, the program is overcrowded, housing twenty-four (24) inmates in a six-bedroom unit. There is an urgent need to relocate the Work Release Program to a bigger facility. The building of a Halfway House outside the confines of the facility will correct these problems. Because the Female Unit has been omitted from current construction plans, the department will have to relocate and continue the use of its modular building as a female housing unit. Relocation of this modular building is necessary since retaining it at its present location would create institutional problems due to its proximity to male recreation areas, male residences, and its physical distance away from the security control. The omission to renovate the three existing concrete buildings into an academic and vocation facility will deny Guam Corrections the rehabilitative tools it greatly needed to prepare the incarcerated for a better and more rewarding-law-abiding life upon release from incarceration. Additionally, the recreational facility is also omitted. The minds and bodies of the inmates have to be challenged and occupied as to reduce negative thoughts and acts in an institutional setting. This will greatly enhance discipline and control of inmates.

The lack of an adequate facility capable to properly segregate and rehabilitate prisoners will force Guam to continue the costly practice of transferring incorrigible, uncontrollable prisoners to off-island institutions. Without counting cost of round trip air fares of each transferred inmate, plus round trip fares of two escorts per inmate, the seventeen (17) Guam prisoners currently in off-island institutions are costing the Guam taxpayers $343,000 annually; a figure which can only rise beyond the current average rate of $56.00 per inmate per day as prison costs throughout the Nation increases.

Additionally, the previous Administration entered into several contracts, including the present contract with Kung Yong Construction Company for the ongoing construction of the new Guam Penitentiary. As a result, $8.2 million have been expended or encumbered based upon an appropriation of only $6.5 million, thus illegally encumbering $1.8 million. The previous Administration had intended to reprogram other Interior funds for the construction of the new Guam Penitentiary, but it had not submitted documentation for reprogramming or for additional funding to the Department of Interior.

The only additional funding request is for $4.1 million submitted by the Governor of Guam in March of 1983. However, this request is now being revised to $9.6 million as a result of the reassessment of the problems facing Guam Corrections and the urgent need for an adequate functional prison facility that will meet Guam's incarceration needs, proper segregation, rehabilitation and public protection.

Feasibility:

In 1979, Government of Guam submitted a $10.3 million dollar request to the Department of Interior for the construction of the Guam Penitentiary. In 1980, Guam received from the Department of Interior $6.5 million dollars for the construction of the new Guam Penitentiary.

1. Basic Bid (1981). In 1981, the original or Masterplan for the new Guam Penitentiary was placed on bid. The lowest bid received as to complete the Masterplan was $11.8 million dollars, plus $1.6 million dollars for A/E Design, Horizontal Phase, and Administrative Contract.

   The Masterplan includes seven (7) residential units for 266 inmate capacity, plus a gymnasium, a chapel, and administrative building, and renovation of three existing buildings into an educational and vocational facility.

2. Re-Bid and Downgrade of Project (1981). Due to the limited funds available ($6.5 million), the construction project was rebid and downgraded. Out of the eleven (11) buildings as per the Masterplan, only two were contracted for construction with a total inmate population of seventy (70). The rebid left out administrative needs, rehabilitation programs, recreation programs and the Work Release Program. These facilities, as omitted, are essentially vital for a functional corrections system.

   The new Guam Penitentiary, as contracted and under current construction, will not even meet Guam's present inmate population of 132. Due to this, the March 1983 request of $4.1 million dollars was urgently made as to build two additional buildings for inmate residences, in order to meet the present inmate population under the custody of Guam's Department of Corrections, plus the anticipated prison population increase by 1984.

3. Present Request ($9.6 million).

   Since Guam's request for an additional DOI fund of $4.1 million in March 1983, the present Administration has reassessed the problems that are facing Guam's correctional system in addition to its present and future needs.

   The present facility was built by 1963 Rehabilitation Funds. It was built with the sole intention of making it typhoon-proof. The need for control, discipline, segregation, and rehabilitation of prisoners was secondary. The facility was build for a maximum population of 49 inmates.

   At present, said facility is housing 84 male inmates, plus 2 female inmates. Due to the facility's inadequacy and over-population, six Corrections' inmates are confined at the Agana Lock-up and seventeen (17) in off-island institutions.

   The present condition of the prison's facility is deplorable. The need for a new adequate facility that can provide Guam's citizens adequate safety and protection is urgent.

   The reassessment of the Masterplan reveals that the 240 inmate population predicted in 1984 does not appear realistic at this time. Additionally, the female unit was planned for 32 inmates is not realistic. The present female unit, a modular building, for twelve inmates does appear adequate and need only to be relocated. Therefore, the Masterplan for a population of 266 inmates appears to be too ambitious a plan at this time.

   However, for an adequate and functional Corrections Facility that can adequately assure public protection and subsequently provide rehabilitative programs for the incarcerated individuals, Guam, therefore, is urgently requesting that the following items as previously omitted be included and funded in the construction of the new Guam Penitentiary:

   *a. Additional Buildings:

   1. Residential Units (D-1B, D-2 and D-4)
   2. Administration (Bldg. A)
   3. Prison Chapel (Bldg. C)
   4. Gymnasium (Bldg. E)

*b. Renovation (Bldgs. EA, EB and F)

*c. Relocation - Office of Director and Parole, plus the Female Unit.

* GP Masterplan, Schedule C

If Guam does not receive additional grant for the completion of the new Guam Penitentiary, the present construction at the cost of $6.5 million is, and

will be greatly be, inadequate upon completion. Guam Department of Corrections will still remain greatly handicapped in the execution of its responsibilities as mandated by law such as:

1. The congested inhumane conditions of the Guam Penitentiary will still remain unsolved;

2. Proper segregation of inmates for prisoners' and staff's safety and protection;

3. Rehabilitation programs will be limited or non-existent;

4. Curtailment of prison riot and death of prisoners;

5. Prison escapes will continue to occur; and

6. Public protection and safety will remain inadequate.

Capability:

The additional funding will be used to fund the construction of additional facilities that were omitted in the current construction contract for the Penitentiary. A cost breakdown covering the additional funding is as follows:

Total Contractual Obligations and Expenditures to date:	$ 8,358,499 *
Additional Facilities	6,633,737 *
Collateral Equipment	1,164,660 **
Total Revised Estimated Cost	$ 16,156,896
Less DOI Grant	(6,500,000)
Required Additional Funding	9,656,896

* Refer to attached listing of project facilities

** Refer to attached listing of collateral equipment.

Outlay Effects:

Fiscal Year 1984:	
Additional Facilities	$ 6,633,737
Overencumbered Amount	1,858,459
Total Outlay Effect	$ 8,492,196
Fiscal Year 1985:	
Collateral Equipment	$ 1,164,660

Schedule A

GUAM PENITENTIARY
REVISED MASTER LISTING OF F CILITIES FOR
ADDITIONAL FY'84 FU DING

	Item Description	Contracted Items	No. of Inmate Cells	Additional Facilities	No. of Inmate Cells	Total
1.	Administration Building (A)	-0-	N/A	$ 453,494	N/A	$ 453,494
2.	Relocation of Administration Modular Home & Parole Bldg.	$ 43,000	N/A	43,000	N/A	86,000
3.	Prison Chapel Building (C)	-0-	N/A	210,127	N/A	210,127
4.	Housing Unit Male Building (D-1A)	815,400	48	-0-	48	815,400
5.	Housing Unit Male Building (D-1B)	-0-	--	1,278,072	48	1,278,072
6.	Housing Unit Male Building (D-2)	-0-	--	1,142,852	36	1,142,852
7.	Housing Unit Female Building Relocation	-0-	--	62,350	12	62,350
8.	Site Development	2,791,600	N/A	-0-	N/A	2,791,600
9.	Halfway House Building (D-4)	-0-	--	623,545	32	623,545
10.	Perimeter Detention & Security Alarm System	366,400	N/A	-0-	N/A	366,400
11.	Gym Building (E)	-0-	N/A	905,799	N/A	905,799
12.	Support Complex Building	2,560,400	22	-0-	22	2,560,400
13.	Renovation of Buildings (EA, EB & F)	-0-	--	775,256	N/A	775,256
14.	Chain Link Security Fence	-0-	--	211,375	N/A	211,375
15.	Others:					
	A) A/E Design Fee Completed	757,346	--	-0-	N/A	757,346
	B) Horizontal Construction - Phase I	752,213	--	-0-	N/A	752,213
	C) Contract Administration for Horizontal Phases I & II	248,100	--	290,000	N/A	538,100
	D) Material Testing for Horizontal Phases I & II	24,000	--	34,800	N/A	58,800
	Subtotal	$ 8,358,459*	70	$6,030,670	198	$14,389,129
	Contingency (10% of $6,030,670) on Additional Facilities	-0-	N/A	603,067	N/A	598,767
	Grand Total	$ 8,358,459	70	$6,633,737	198	$14,987,896

* Total amount of items contracted inclusive of the deficit of $1.8 million overencumbered in prior years. Contracted items based on Public Works data.

Schedule B

FY 1984 GUAM PENITENTIARY
COLLATERAL EQUIPMENT REQUIREMENTS

Facility	Equipment Requirement	Unit Cost	Total
Community Correction Center	16 ea. beds	$ 580	$ 9,280
	40 ea. chairs	87	3,480
	Materials for dining table of 40		1,160
Adult Correctional Facility			
A. Infirmary	6 ea. medical beds	2,900	17,400
	(medical equipment for physical examination)		58,000
B. Dining Hall	100 capacity dining set		72,500
C. Residential	150 ea. beds	725	108,750
D. Laundry	10 ea. washers (heavy duty)	1,305	13,050
	6 ea. dryers	1,088	6,528
	4 ea. pressers	725	2,900
E. Vocational Shops	Automotive and Body & Fender		123,250
	Electrical		72,500
	Arts & Craft		58,000
	Carpentry & Masonry		72,500
F. Sports	Recreational Equipment		29,000
G. Chapel	10 ea. pews	725	7,250
	alter	1,160	1,160
H. Public Address System	1 set with 6 speakers		21,750
I. Maintenance	2 ea. riding mowers	4,350	8,700
	6 ea. power mowers	508	3,048
	4 ea. chain saws	580	2,320
	4 ea. bush cutters	363	1,452
	4 ea. wheel barrels	218	872
	1 ea. stake truck		17,400
	assortment		1,160
J. Towers (permanent)	3 ea. concrete towers plus installation	13,920	41,760
	12 ea. two-channel radio	2,175	26,100
	2 ea. back-up antenna	2,610	5,220
K. Escape Prevention System	1 ea. Sensor Detector System		36,250
	1 ea. Siren	7,250	7,250
L. Riot & Physical Control Devices	6 ea. Shot Guns	435	2,610
	3 ea. Automatic Rifles	653	1,959
	2 ea. Tear Gas Launchers	653	1,306
	20 ea. Handcuffs	73	1,460
	10 ea. Belly Chains	218	2,180
	5 ea. Leg Irons	290	1,450
	15 ea. Riot Helmets	218	3,270
	15 ea. Riot Shields	290	4,350
	15 ea. Bullet Proof Vests	798	11,970

M. Indoor Recreation	5 ea. Television Sets	1,233	6,165
	2 ea. Table Tennis	363	726
	2 set Weight Lifting	2,610	5,220
	8 set Chess	109	872
	8 set Checkers	29	232
	5 ea. Electronic Games	7,250	36,250
N. Kitchen	1 ea. Griddle Stove plus installation	5,800	5,800
	1 ea. Hot Plate Stove plus installation	5,336	5,336
	2 ea. Chill Boxes plus installation	3,248	6,496
	2 ea. Chest Freezers	1,160	2,320
O. Parole Services	1 ea. Paddy Wagon	27,000	27,000
	2 ea. Suzuki Jeeps	7,540	15,080
	4 ea. Motorcycles	3,625	14,500
P. Fire Extinguishers	22 ea. Electrical	180	3,960
	22 ea. Non-Electrical	80	1,760
Q. Administration	2 ea. Desk w/chairs	725	1,450
	2 ea. Typewriters	1,378	2,756
	1 ea. long table	1,160	1,160
	20 ea. Chairs	87	1,740
	Misc. Equipment	1,305	1,305
	Misc. Equipment	109	109
R. Remodification of Buildings A, B & C	Building Materials		58,000
Subtotal			$1,058,782
Contingency (10% of $1,058,782)			105,878
Total			$1,164,660

GUAM MEMORIAL HOSPITAL RENOVATION

(Attachment #3)

CAPABILITY STATEMENT

Agency/Bureau: Department of the Interior/Territorial and International Affairs.

Appropriation: Administration of Territories

Activity: Government of Guam

Proposed Amendment: $10.0 Million for health care facilities and related needs. $4,824,815 for FY '84.

Current Program:

The health care delivery system on Guam is comparable to that of might be found in a medium size U.S. mainland community. There is available a comprehensive array of health services and health care facilities as those which might be found in similar communities. Unlike mainland communities, however, the health care system is a developing one and one that is provided largely by the Government of Guam. Private ownership of health facilities, voluntary health entities, and those organized through religious groups are almost non-existent except for general and specialty clinics which are manned by solo or multi-group specialists.

A $25 million grant from Congress enabled the purchase of a new 148 bed acute facility to serve the island's approximately 100,000 civilian population. The facility provides acute in-patient care services as well as emergency and related out-patient services. Some 27 programs provided by the facility include telemetry, neonatal, intensive care, coronary care and other related services. Specialized and tertiary health services are not available locally so that those in need of such services are referred to Hawaii and/or other mainland facilities. This isolation has resulted in an increasingly high cost of services, supplies, and equipment associated with hospital care. The average cost per annum for off-island patient care is estimated at $300,000, which excludes cost incurred above those approved by the hospital's Review Board. Certain other services and/or facilities are also not available locally, such as a nursing home facility, mental health facility, and related progressive care type institutions.

In order to accommodate certain long term care and other units, the 5th and 6th floors of the old Guam Memorial Hospital was recently renovated, however, the lower floors are deemed to be structurally unsafe. Services housed in this old facility include the skilled nursing facility, the intermediate care unit, and services for mentally retarded and criminally insane in-patients and those requiring long term mental health treatment. It is also as a referral and treatment center for those charged with criminal offenses who are referred by the courts. The admixture of in-patients in the old facility ranging from the chronically ill to the criminally insane is evidence of inappropriate placements within the institution and emphasizes the need for certain expansions and/or reorganizations at the new facility.

The new facility is in need of renovation in order to ensure that the four open-stairways are accessible during typhoons and storms. These stairways must be enclosed to facilitate traffic from all sections of the hospital during inclement weather.

The construction of a kitchen and dining facility for preparation of patient meals is also an urgent need as the new facility lacks the space for this integral part of any health care institution. Meal preparations are currently contracted to a local catering service, which has proven to be a very costly arrangement. Over the past three years, the hospital has incurred a total of $1,390,073 for this service. The present contract is in the amount of $423,500 annually.

In addition to the foregoing, the expansion and transfer of certain health services from the facility would serve to consolidate operations and minimize cost. The following are proposed changes and/or expansions in meeting this goal:

1) The construction of a free-standing structure for the aged who are primarily in need of custodial care.

2) The expansion and/or transfer of the hemodialysis unit which now consists of only 8 dialysis stations serving 27 patients.

3) The expansion and/or transfer of the skilled nursing facility, presently consisting of a maximum of 35 beds. The anticipated future need of 57 new beds in this unit dictates the need for expansion.

4) The expansion of the Intermediate Care Unit currently with 36 beds with an anticipated future need of 67 beds.

5) The transfer of 17 mental health in-patient beds from the old facility to the new facility and the construction of a free-standing structure to provide additional in-patient and ambulatory mental health services.

6) Expansion and modification of present configuration for maximizing efficiency.

Another problem is the delivery of health services on Guam is the southern and northernmost concentration of health facilities. Parts of Guam are almost completely underserved. The north and north central areas represent 32% and 50% of the population, respectively. The construction of a Northern Area Health Center in the vicinity of Harmon would promote the delivery of health services for certain underserved areas. The latest construction estimate to build this center is $3.4 Million. This proposed health center has received approval from

the Department of Health and Human Services for Hill-Burton funds in the amount of $2.25 Million. Interior funds hopefully can be used to match this Hill-Burton funding. If not, we will be forced to tap local revenue sources for $225,000. Direct appropriation and in kind costs are being identified. An additional $1 Million Dollars from Department of Interior is being requested for collateral equipment. The facility will have a floor space of some 22,298 sq. ft. It would include maternal and child health clinics, support offices, family planning, and environmental health division, a dental clinic, and other indigent clientele support divisions, such as the food stamp program.

Guam spends about $26 million on health programs and activities annually. This represents about 12% of the total Government of Guam budget. This percentage is significant in light of the austere financial condition of the local government. The need to further upgrade existing facilities and provide an additional health care facility to serve underserved areas would serve to reduce the extremely high communicable disease rates, the high infant mortality and birth rates and provide a host of other health services.

Amount Budgeted FY 1984: None.

Although funds have been authorized under Public Law 95-348 and amended by Public Law 97-357, no funds have been appropriated.

Feasibility

Renovation of the new facility to ensure accessibility of the four-open stairways during inclement weather; construction of a kitchen and dining facility; construction of a free-standing structure for the aged; expansion of the skilled nursing facility, the hemodialysis unit, and the intensive care unit; and construction of a free-standing structure for mental health services.

The severe financial crisis of the Government of Guam plans the future continuance of health services at the old GMH is doubtful due to the pressure from the Legislature to sell the old facility. Failure to obtain other federal grant would result in:

1) Over 50% of the medically underserved, public health clients, will be without basic primary health care services.

2) Guam Memorial Hospital Authority will not meet future health needs.

3) Unable to consolidate services in one facility and to modify present configuration of facility to maximize efficiently.

4) Joint Commission on Hospitals Accreditation and Health Care Finance Agency (HCFA) would be jeopardize and consequently would not be able to participate in any federal reimbursement program.

Capability

Funds will be released to the Government of Guam for the following activities:

a)	Construction	$9,503,180
b)	Equipment	284,400
c)	Administration and Overhead	212,420
	Total Project Costs	$10,000,000

Outlay Effects

Fiscal Year 1984:	GMH Renovation and Related Health Care	$2,055,000
	Architectural/Engineering	1,039,815
	Kitchen installations	470,000
	Stair Enclosure	260,000
	Northern Health Center	1,000,000
	Total	$4,824,815
Fiscal Year 1985:		$5,175,185

GUAM ECONOMIC DEVELOPMENT LOAN FUND

(Attachment # 4)

CAPABILITY STATEMENT

Agency/Bureau: Department of the Interior/Territorial and International Affairs.

Appropriation: Administration of Territories.

Activity: Government of Guam.

Proposed Amendment: $1,000,000 for the Guam Economic Development Loan Fund.

Current Program:

Guam Development Fund

The Guam Development Fund Act of 1968 by the U.S. Congress continues to be the major source of providing loans and loan guarantees to stimulate the economy of Guam through assistance provided by the Guam Economic Development Authority (GEDA) to various entrepreneurs. The 90th U.S. Congress authorized a $5,000,000 appropriation to the Guam Development Fund. Of this total and over the years, $4,500,000 were appropriated by the U.S. Congress. The balance of $500,000 has not been appropriated. The 95th U.S. Contress authorized an additional $5,000,000 of which $1,740,000 has already been appropriated and received by GEDA. the total amount to date received by GEDA from the Guam Development Fund Act is $6,240,000. A total of 109 loans were approved in the total amount of $8,452,128 since the inception of the program. The Agency plans to immediately develop a package program for the release of the remaining sums through your office with the hope that through the additional funding, Guam could move forward in its overall economic development program.

Ovjective

To develop a strong, competitive economic base on Guam by making financial assistance available to private industry through loans and loan guarantees.

The development of an attractive economic climate, which will serve to invite outside investment and to promote growth within this territory, continues to be a high priority of the island's government. Funds provided to the Econcmic Development Loan Fund are used for loans and loan guarantees to individuals, firms, partnerships, or corporations to fund projects in the industries of agriculture, fishing, tourism, commercial/industrial/support facilities.

Background

The still largely undeveloped private sector, the tighter federal fiscal constraints, the deficit position of the local Government's General Fund, the ever increasing demand for public service at all levels, and the economic influences of foreign governments which Guam has little control over have caused the economic growth process to roller coaster over the years.

Although the 1950 Organic Act transferred the island's administration from the Department of Defense to the Department of Interior, Guam continues to feel the impact of the military's presence. A third of Guam's land mass is currently owned by the U.S. for military purposes. Approximately 23,000 of the island's 105,000 residents are employed with the military or are military dependents. Because Guam's tax system "mirrors" the U.S. system, all military income taxes revert back to Guam for use here. Approximately $19.0 million of about $140 million of General Fund revenues collected by Guam's government in FY 1981 are from military income taxes. The above factors make Guam's economy vulnerable to U.S. national defense policies and priorities. Fortunately for Guam, the military's presence has had positive effects.

Guam's economy experienced a period of growth in the sixties and up until the 1974 worldwide recession. The growth was spurred by the lifting of the military restrictions which allowed private investors to develop, the escalated

military activity during the Vietnam era, and the infusion of $75 million for reconstruction after the ravages of Typhoon Karen in 1962. Since the 1974 recession, like the United States, Guam has not fully recovered. With major cuts proposed in federal grants under the Reagan concept of federalism, Guam enters the decade of the 80's faced with a period of economic slowdown.

Social and Economic Indicators

Guam's 1980 population of 105,821 has increased 24% since 1970 with a growth rate twice as fast as the United States, and an ethnic composition that can be described as cosmopolitan. A high population projection of 142,200 by the year 2,000 is estimated, with a marked shift toward an older composition. In 1980, about 40% of Guam's population was under 15 years of age. To sustain this kind of growth, job markets would have to be expanded. The development of a private sector is necessary, as government is faced with the amounting deficit that can only be controlled by reduced government activity.

Labor data indicate that Guam's economy is experiencing a gradual recovery. Between March 1980 and March 1981, employment on Guam increased by 4%. This increase is attributed completely to increased employment in the public sector as employment in the private sector has actually declined. While an increase in employment is a positive indicator, the fact that the increase is solely in the public sector is still cause for concern as there are indications that the local government is overstaffed. Again, growth in the private sector must be encouraged.

Guam's standard of living indicators reflects that Guam is still behind mainland standards. The latest figures for wages and income show average income on Guam to be about 80% of the U.S. average. In 1980, Guam's inflation rate increased by 19.2%, while the U.S. Consumer Price Index showed an increase in inflation at 12.6%.

While Guam continuously strives to parallel the standards of U.S. community living, the unique characteristic of being an island community have been disadvantageous at times. Built on volcanic and limestone land base, land mineral resourcesa re non-existent. This makes the island very dependent on imported goods. A significant percentage of the private industries are in the retail and service businesses. Although several attempts have been made at establishing manufacturing outlets, few have been successful, despite government tax rebate and waiver incentives. The island's isolation and distance from the U.S. mainland and other developed communities make Guam dependent of air and sea transportation modes. High import costs are passed on to consumers. The consumer price level on Guam is roughly estimated to be 15% above the U.S. average.

Despite the economic drawbacks, Guam has, with the aid of millions of federal construction funds, made considerable strides on developing its infrastructure. This is crucial if the development of the private sector is to be encouraged. Seventy miles of roadway were paved in the last year. The implementation of a new telephone system has increased the reliance and confidence of the public in the telephone system. Overseas communication available on Guam is excellent.

The recently transferred acres of military owned land for public use will enable major development of our seaport. The completion of the new Guam International Airport will serve to accommodate future growth in the airline industry. Two new sports facilities will play a significant role in the island's future. Revenues from tourist related activities in 1980 surpassed previously reported levels. Research continues on aquaculture as a potential contributor to economic growth through commercial production for export as well as local markets.

Guam is requesting $1,000,000 for FY 1984 for the GEDA Loan Fund, which is the maximum amount allowed annually under P.L. 95-134. This amount is a part of the $5 million authorized by U.S. Public Law 95-134, the Omnibus Territories Act. This request will be used for loans and loan guarantees to various projects commencing in FY 1984. GEDA has projected a total of $4.937 million in loan funding requirements for FY 1984 as follows:

Category	Loan Applications (in thousands of dollars)	% of Total
Agriculture	$ 600	.12
Fishing	210	.06
Tourism	1,075	.22
Industrial/Commercial Back-Up	2,952	.60
Total	$4,937	1.00

Because of the heavy demand for loan/loan guarantee, GEDA would have to scrutinize each loan and prioritize them.

Agriculture

The development of local agriculture will serve to reduce Guam's level of import-dependency. Guam is pursuing vigorously the development of this industry not only to provide a variety of career opportunity but ultimately to make Guam a productive rather than a consumptive society. Through the efforts and co-ordination of all concern including the military, Guam will experience a phenominal growth in this industry with the ultimate goal of producing in excess of 50% of those replaceable items in the next four years.

This growth is already showing in our private sectors through the various roadside markets, the retail outlets and more importantly the Guam Farmers Co-op where a very substantial supply of different varieties of fresh fruits and vegetables are being supplied by our farmers. Much of these fresh fruits and vegetables are being channeled through our military outlets. Though this growth is expected to continue, substantial financial assistance plays a vital role in accelerating this growth. GEDA will provide the necessary financial assistance through the Guam Economic Development Loan Fund.

As part of the assistance to be provided our farmers, Guam will pursue the establishment of a viable program of crop insurance through the implementation of the Federal Crop Insurance Program. This will greatly assist our farmers in overcoming one of Guam's major problems in our agricultural sector, the damaging effects of tropical storms, typhoons and rainstorms. The availability of reliable crop insurance program will definitely encourage many of our farmers to expand the agricultural projects.

The proposed experimental food processing facility will provide support to farmers. The facility will include the canning, freezing, juicing, and pickling of local produce. Research on the various crops under cultivation in Guam will continue. Approximately 850 acres of government land near the proposed experimental station site are expected to be leased for commercial agriculture. Pineapple shows some potential for meeting local demands, as the quality of those produced have equaled or surpassed that of Hawaii. Export (to Japan) is not anticipated as Japan import laws are highly restrictive.

Research continues on the prospects of economically producing or utilizing existing local raw materials on island for the production of animal feed. This industry shows some potential for growth.

For FY 1984, approximately 600,000 is expected to fund various cash crop and egg production ventures.

Fishing

The demand of the local fish market still exceed what the fishing industry can supply. The total estimated islandwide offshore trolling, bottom fishing and spearfishing catch for 1982 is 336,446 pounds. Fish sales through the Guam Fisherman's Cooperative has increased substantially over the years. Expansion of the Co-op activities has increased with the lease of one acre lot in the Agana Boat Basin and the completion and operation of the Fishermen's Co-op Market. Fueling, ice, and boat storage which are planned for construction, will provide much needed support fishing service facilities for fishermen.

Plans for the construction of a small boat harbor located in the southern half of the island is being studied by the Army Corps of Engineers. The harbor

will benefit the development of commercial fisheries by hiring small vessels in closer proximity to production fishing grounds.

Aquaculture on Guam is a potential contributor to the economic growth and stability of the island. The recent agreement between the Guam Aqua Research, Inc. and the Government of Guam to operate the facility for prawn and fish hatchery and the anticipated funding for the ultimate purchase by the Government of Guam will provide Guam with one of the more viable industry for the Territory. The production of the necessary post larvae and seedlings for the some sixty (60) acre ponds now ready for full operation will provide Guam with additional employment and the replacements of a large volume of imported fish. These acreages will provide fresh prawn, carp, catfish, tilapia and penaeids and, to some limited extent, eels. There is great potential in this industry. Approximately $310,000 is expected to fund fish and prawn business ventures in FY 1984.

Tourism

Tourism is the most important industry in Guam's private sector economy. A major revenue source for Guam, the industry is second only to the Federal Government. Total tourists arrivals to Guam numbered an all-time record high of 321,000 in 1981. This is an increase of more than 10% over 1979. The expenditures of those tourists is estimated at $190 million. The expenditure has contributed to about 34% of Guam's retail sales. Surface arrivals of 9,634 was an increase of 15% over 1979, brought by the arrival of 12 passenger cruise ships.

In order to meet the fast growing demand of the industry, Guam needs to be innovative as it competes with Far East countries for its tourist market. A cultural center is needed to enhance tourist attractions on Guam by providing interesting cultural displays and functions. The center will demonstrate the uniquely varied cultures of Guam and Micronesia. Also needed are projects and activities that would support water related recreational facilities. Guam's Ten-year Tourism Master Plan calls for a growth policy with land use controls which will cover urban design, a lagoon area, and an implementation plan.

Approximately $1,075,000 of GEDLF funds are expected to fund tourist type ventures.

Industrial/Commercial/Support Facilities

Guam has the opportunity to enhance its economic and employment situation through the harnessing of its natural resources surrounding the island. The high cost of petroleum is felt on Guam as is across the United States. However, Guam faces a dilemma with regard to utility consumption.

Being an island community with electrical power supplied by one company, Guam's population finds itself in a Catch 22 situation in relation to the escalating power cost. Increased use of power results in increased power to the users. On Guam, a decrease in the use of power would also result in increased power cost. Because the user population on Guam is constant, and because the power utility agency depends on revenue generated from power con- sumption on Guam means reduced revenues for operation for the utility agency. The Guam Power Authority has increased power rates by 24%. Alternative sources of energy need to be identified. Proposals to study both wind and the ocean as alternative sources have been entertained.

Loans expected to be given out under this category is $1,952,000.

Amount Budgeted FY 1984: None

In 1979, U.S. Public Law 95-134 authorized a second appropriation of $5.0 million. Of this amount, $3.76 million remains unappropriated.

Feasibility

The EDLF is used for loans and loan guarantees to individuals, firms, partnerships, or corporations for economic stimulating projects in the categories of agriculture, fishing, tourism, and industrial/commercial/ supportive services.

The programs and projects which the Guam Economic Development Authority underwrites cannot secure sufficient capital from the commercial lending institutions on-island because of high risk involved.

The request for the $1.0 million for fiscal year 1984 is based on the Economic Rearmament Program of the Administration. Without the $1.0 million requested, Guam would continue to suffer tremendously in its effort to make Guam a productive rather than a consumptive society. Further delay and curtailment of the economic growth in the four major sectors of the Territory, namely, agriculture, fishing, tourism and the commercial/industrial area, would be disastrous and would prevent any economic recovery in Guam which the Mainland counterpart expects very shortly. These sectors of Guam's economic development requires large capital outlay at the lowest possible interest rate and for a longer period of time.

Recently, a significant number of interest in agriculture indicates that Guam could still develop its resources and replace many of the imports and at the same time produce quantities to meet the need of the Territory. Fishing, on the other hand, is an untapped resource which has a vast potential in not only supplying the needs of the island but has started to export a small quantity of fish to Hawaii.

Tourism, however, has somewhat leveled off, due primarily to the lack of necessary infrastructure including hotel rooms, sewage and water facilities. Once these inadequacies are addressed, tourism is expected to increase between eight to ten percent annually. Funding for tourism related facilities is a must if Guam is to maintain growth in this area. Interest on the industrial/commercial areas have shown that improvement is needed and capital funding in substantial amount is required.

All of these revived and new interest in developing the economic posture of the Territory is a positive sign that given the financial assistance Guam could become economically better self-sustaining.

Capability

Funds will be used to fund various economic endavors in the agricultural, fishing, tourism, and commercial industries.

Economic Endeavors	$1,000,000

Outlay Effects

Fiscal Year 1984: $1,000,000

(Attachment #5)

DEFICIT ELIMINATION PLAN

CAPABILITY STATEMENT

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Government of Guam
Proposed Amendment:	Appropriate $33.5 Million for FY 1984 as authorized by Public Law 96-597 to assist Guam in eliminating its General Fund deficit

Current Program:

The Government of Guam's financial difficulties began abruptly in fiscal year 1974 when it generated a deficit of $17 million. The deficit rose the following year to $39.8 million and steadily grew to $51 million in FY 1975. In fiscal years 1977 and 1978, the deficit continued at an upward trend to $54 million and $63.6 million, respectively. The perpetuation of GovGuam's growing fund deficiency during this two year span is due to the expansion of GovGuam's total work force and increased employee salaries and retirement benefits which were granted in FY 1978. In its FY 1979 report, the U.S. Government Comptroller reported a drop in the Government of Guam's deficit to $53.5 million. FY 1980 was somewhat controlled by austerity measures but for FY 1981 and FY 1982, sharp inclines in inflation and the unfunded liability of the Government of Guam Retirement Fund coupled by the excessive appropriation of funds over the available General Fund revenues charted the current deficit picture. The deficit situation of the Government of Guam spanning the last five years is presented as follows:

Fiscal Year	General Fund Balance	Unappropriated Fund Balance
1978	($47,193,025)	($63.6 million)
1979	(35,419,502)	(53.5 million)
1980	(29,689,017)	(55.8 million)
1981 (unaudited)	(52,059,749)	(83.2 million)
1982 (unaudited)	(57,559,919)	(86.2 million)

As of February 28, 1983, the Government of Guam's accumulative General Fund deficit was $113.2 million which is an increase of $26.892 million incurred during the first five months of the fiscal year. Contributing to this net deficit increase were the following factors:

. Over appropriations of estimated revenues during the first five months of FY 1983	$26.800 Million
. Contribution from Lottery Fund	(.500 Million)
. Increase in Reserve for Inventory	(.092 Million)
. Adjustment of Prior Years Revenues and Expenditures	.500 Million
	$26.892 Million

The Government of Guam's financial predicament is further aggravated by its inability to liquidate current liabilities. As of February 28, 1983, the cash balance of the government was at a $1.8 million level. However, current liabilities to date have exceeded this amount by approximately $7.8 million. If the government was forced to liquidate these outstanding liabilities, the Government of Guam would find itself in a serious financial crunch.

Recently, to help deter a fiscal crisis, the Executive Branch of the Government of Guam introduced a tax package (Bill No. 212) to the Legislature, proposing various tax increases which would increase revenue by $34.0 million. The Legislature has enacted into law a portion of the proposed measure (P.L. 17-4), which would increase revenues by $3.3 million annually. The remainder of the tax package is still under consideration by the Legislature. A separate bill has already been proposed to impose the Airport Departure Tax, which is expected to realize approximately $4.1 million in revenues annually.

Amount Budgeted FY 1984: None

Feasibility:

The Deficit Elimination Plan of the Government of Guam presented to the Department of Interior is structured into five (5) major components:

I. Implementation of an Effective Budgeting and Accounting System
II. Revenue and Expenditure Projection Plan
III. Implementation of an Effective Revenue and Taxation System
IV. Proposed Legislation for Addressing Deficit Elimination
V. Other Proposed Actions for Addressing Deficit Elimination

This plan seeks to address budget and accounting system improvements which would hopefully lead to more improved accountability in the appropriation of funds, the monitoring and recording of grant-in-aids and agency funds, and better reconciliation of expenditure data including those of capital funding status. It will also focus on those tasks which still need to be made to improve the tax collection and revenue generating activities and functions.

Another major component identifies a number of legislative proposals and policy directives which would contain budget increases and expenditures and would help to slow down the growth of government agencies including autonomous agencies.

Lastly, the plan addresses other areas which would seek a system wide approach in examining cost effective recommendations and in identifying alternative options for dealing with major cost items within the government system. It should be noted that this document contains many recommendations which have been raised by government officials and the Federal Comptroller's Office.

This request for financial assistance is of the utmost importance. Further postponement of any financial assistance will only aggravate the deficit situation of the Government of Guam.

Capability:

Funds received under the deficit elimination assistance program totalling approximately $37.5 million will be used to lower the fund balance deficit of the General Fund. Specifically, it will be used to assist in the liquidation of the following ongoing obligations:

Obligations	Estimated Amount
Various Vendors	$ 5.0 Million
Retirement Fund	7.2 Million
Tax Refund	16.2 Million
Corporate Tax Rebates	5.0 Million
Carry-back Losses Claim	5.0 Million

Outlay Effects:

Fiscal Year 1984:	$33.5 Million
Fiscal Year 1985:	4.0 Million

STATEMENT OF HON. JUAN LUIS, GOVERNOR, U.S. VIRGIN ISLANDS

Mr. Chairman, distinguished members of this Committee, I appreciate this opportunity to discuss with you the critical problems facing the United States Virgin Islands that require federal assistance and concern for their solution.

During previous appearances before your committee I have detailed the Virgin Islands needs for basic infrastructure improvements. With the help of Congress, some of these needs have already been met, most notably our new hospital facilities and our soon to be constructed juvenile pre-trial detention facility. For this committee's help in obtaining these facilities we are most grateful.

Other infrastructure needs of the Virgin Islands have been provided by the Territory's own financial resources. For example from 1977 to 1982 the territory expended some 40.3 million dollars of local funds on new electric power generators, overhaul of old electric equipment, and acqusition of new water production facilities for the Virgin Islands Water and Power Authority.

Through our own efforts, and with the help of the federal government, the Virgin Islands list of infrastructure needs has shrunk considerably over the past several years, so much so that we do not believe there will be a need for major infrastructure appropriation requests once our existing needs have been met. We have already built new health facilities, we have obtained funding for pre-trial juvenile detention centers, much progress has been made on expanding our busier airport, construction of a container-port in St. Croix is complete and construction has begun in St. Thomas of a new cruise ship facility.

The list of our remaining capital needs is a short one:

1. We still seek funding of our 4-year 40 million dollar plan to complete needed improvements to our electric power generating system and our water distribution system.

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2. Funding for a second 1.5 million dollar juvenile pre-trial detention center was delayed one year by request of the administration, but it has been proposed as the only item for the Virgin Islands in the administration's FY'84 budget.
3. Completion of improvements to airports in both St. Thomas and St. Croix is vital to our future economic well-being and is beyond our ability to provide locally.

As this committee suggested last year the Virgin Islands has been diligently pursuing the means to provide for our water and power needs without direct federal funding. Use of the power granted the territory in Public Law 94-392 to issue general obligation bonds guaranteed by matchaing fund revenues is planned. In fact, of a planned 38 million dollar bond issue, over 20 million would be used to finance water, power, and sewer improvements; the balance would be used for schools, courts, old age homes, and other sorely-needed capital projects. Unfortunately, due to the territory's poor bond rating, it is likely that no more than $30 million can be sold, and this only with a federal guarantee. In addition, the Territory has been promised an additional $2.5 million loan from the Farmer's Home Administration for water system improvements.

The $38 million bond issue is planned to be sold as soon as final authorization is obtained from the Virgin Islands Legislature.

Also the Virgin Islands Water and Power Authority has recently filed with the V.I. Public Services Commission an amendment to its pending rate increase petition which would raise approximately $5 million in additional base rate revenues per year. This is projected to result in a continuation of the average charge of 16-17 cents per kilowatt-hour which the Authority presently imposes on its ratepayers, one of the highest

rates for electricity in the nation. Should fuel prices rise again, then this rate would increase even further.

Even with this hefty rate increase, however, there would not be sufficient funds to devote to new capital equipment; rather, the increase is intended to be used to meet debt service payments, to provide working capital, to implement a long range maintenance program, and to establish a base rate that will cover normally expected expenses. After 24 months at the new rate, the Water and Power Authority projects that it will be able to satisfy the requirements of its bond resolution and thus could, in theory at least, be in a position to float new bonds for capital projects.

In the meantime, however, critical cost-saving capital improvements can not be implemented without outside assistance. The top four priorities of the Authority for fiscal year 1984 are as follows:

1. Acqusition and installation of a new underwater cable to service the island of St. John from St. Thomas. This work has been deferred for several years now, resulting in costly emergency repairs and an increase in the project's cost due to inflation.

2. Construction of a 34 kilovolt substation on St. Thomas to relieve overloaded feeders which result in frequent power outages and substandard service. This work has been deferred for 8 years due to lack of funds.

3. Complete factory rebuilding of two 4.5 kilowatt diesel generators on St. Croix to allow increased fuel efficiency and a savings of about $1.3 million per year.

4. Improvements to the distribution systems on St. Thomas and St. Croix to reduce line losses, now at a rate approximately double the industry average. These improvements are expected to save the Authority about $2 million per year.

Once the bonds referred to above can be sold, perhaps as much as $3.6 million for these or other projects could be financed locally; however, these projects together with other capital projects planned for FY'84, total $7,000,000 (see Appendix); furthermore, the delay in accomplishing the bond sale will continue to cost the Territory the amounts that could be saved in fuel

and efficiency by having these projects completed sooner. Thus, immediate federal assistance is being requested and could later be matched with a local contribution, perhaps more realistically in the second or third year of our four-year plan. Should we be unable to begin to upgrade our power generation and distribution system to the level where this basic service can be provided with reliability, we will be forced to continue to live with the fear of social chaos and economic paralysis that would occur in the event of a total failure of the power system.

The first year of our four-year plan also includes a request for $3,000,000 to begin repairs to our very old and deteriorating water distribution system, parts of which were built during the Naval Administration of the Virgin Islands. The improvements we are recommending (see Appendix) are designed to halt the greater than 20% leakage that the system presently experiences. Our immediate plan, based on a recently completed long term program to upgrade the Territory's water system through the year 2000, is to first perform the repairs which will reduce the annual operating costs of the water distribution system. Leakage from the system has been recently estimated to cost the Government about $7,000,000 per year; thus, in a relatively short time, the immediately needed repairs to the system will pay for themselves. Unfortunately, although FmHA loans and grants can be used to begin work on some parts of the system, the critical leakage problems are in urban areas and thus are not eligible for FmHA funding. Again, the territory has extended itself to the limits of its ability to supply its residents with water through the approximately $24 million purchase of six new desalination plants and the recent increase of its rate for water to $11.50 per thousand gallons, a rate few communities in the nation are required to pay. Thus the need for significant and immediate federal assistance in this area can not be denied.

With regard to juvenile pretrial detention centers, I wish to thank this committee for its part in providing a

$1.5 million appropriation last year. We are happy that the Administration has recommended appropriation of the second half of this funding for 1984. These centers, designed to meet stringent federal standards, will play a key role in curbing crime by youthful offenders. According to the Territory's Uniform Crime Reporting statistics, youth crime accounted for more than 50 percent of major crime apprehensions in 1981; therefore the construction of these pretrial centers will permit us to augment our efforts to more effectively fight crime in our community, while at the same time provide an atmosphere designed to address in a positive way the needs of the youthful offender.

Our third and final area for which we seek infrastructure improvement funding is airports. Several members of the House Committee on Public Works and Transportation recently had the opportunity to see the results of the massive earth-moving project that has now created the land on which to expand the St. Thomas Airport. With completion of Phase I of this project, we are now working with the administration and the Public Works Committee to obtain funding for the final two phases in the amount of 40 million dollars.

As the St. Thomas project continues to move forward, we are now asking for this committee's help in obtaining funding to extend the runway in St. Croix to 10,000 feet. Twelve million dollars is the amount needed for this project, with $1.5 million needed in the first year (see Appendix). Recent reports that Cuba is providing nearly half of the 71 million dollars for construction of a 9,000 foot runway and airport expansion project in Grenada point up the strategic need for the United States to do likewise and fund the St. Croix project in our U.S. territory. The President's Caribbean Basin Initiative plan to help countries in the Caribbean area to improve their economies is another factor favoring an expanded airport facility in St. Croix; with a lengthened runway in St. Croix, that island could serve as a connecting point for down-island air service to

improve transportation links in the region and permit direct flights from Europe, South America and the U.S. west coast. Of course, the economic benefits of this project to St. Croix's economy, both through increasing tourism to that island and through providing additional air cargo service to help the Territory's industrial development efforts, are obvious.

This is another project which is so important to the Virgin Islands that the Territory would contribute some of its precious local resources toward its completion. Therefore, we would propose that the 12 million dollar cost be divided into a six million dollar grant and a six million dollar long-term low-interest loan.

In 1980, Congress authorized funding for a four-year deficit elimination program for the Virgin Islands, and last year the authorization was amended to allow the expedited submission of the plan to Congress. No funds have ever been appropriated, however. The plan has now been completed and transmitted to the Department of Interior with a request for expedited consideration.

The plan projects an FY'83 deficit of $24.4 million to be funded by an additional contribution from the Internal Revenue Matching Fund, other fund transfers, and an interfund loan of $10,000,000. This deficit is due primarily to the downturn in the economy and the President's income tax reduction. The loss of income tax revenues alone has cost the Territory approximately 38 million dollars over fiscal years 1982 and 1983. In fiscal year 1984 alone the loss is estimated at $68 million.

The authorization presently on the books calls for a 12 million dollar appropriation in FY'82, 9 million in FY'83, 6 million in FY'84, and 3 million in FY'85. In order that we might utilize the entire 30 million dollars, and still eliminate our deficit by FY'87 as set forth in the statute, the Virgin Islands has requested the House Interior Committee to amend the authorization. Six million has already been authorized

by the House in FY'84. We will be requesting that one-half of the remaining $24 million be authorized and appropriated in FY'85 and the balance in FY'86.

Even with the improved accounting methods and strict expenditure controls outlined in the plan, deficits of $46 million, $51 million, and $44 million are projected for fiscal years 1984, 1985, and 1986 respectively. When the fiscal year 1984 Virgin Islands budget is submitted to the Legislature, it will contain new tax measures expected to generate $29 million that year, and $30 million and $32 million in fiscal years '85 and'86 to help close this gap. Interfund loans of $12 million and $9 million in fiscal years'84 and '85 will also be requested. Even with these efforts however, the $30 million dollars authorized for the deficit elimination plan will still be needed in order to eliminate the deficit by fiscal year 1987. Of course, if the cost-saving water and power system improvements discussed earlier can be implemented soon and if the economy improves, it is possible that less than the full amount authorized will be required in later years. Clearly, however, this committee's immediate assistance in making $6 million available in FY'84 will be needed if there is to be any hope for the Virgin Islands to begin the successful elimination of its fiscal problems.

Thank you for this opportunity to appear before you today and present this summary of the Virgin Islands' pressing budgetary and fiscal matters which deserve this committee's attention and consideration. It is our hope that with the mutual and continued cooperation of the Congress and the administration, the future of the Territories will most certainly be enhanced.

Cabinet members and representaves of the V.I. Water & Power Authority and the V.I. Port Authority are prepared to assist me in answering any questions the Committee may have regarding our appropriations requests.

APPENDIX

CAPABILITY STATEMENT

Agency: Department of the Interior/Territorial and International Affairs

Appropriation: Administration of Territories

Activity: U. S. Virgin Islands

Proposed Amendment: $7,000,000 for the V. I. Water and Power Authority ($28,000,000 over four years)

Current Program: The Virgin Islands Water and Power Authority was created by the Virgin Islands Legislature in 1964. The Authority owns and operates electric power generation and distribution facilities on St. Thomas and St. Croix, which facilities are not physically interconnected. The only other island of notable size, St. John, which lies four miles east of St. Thomas, normally receives electric power transmitted from St. Thomas by underwater cable. A unit, for use during emergencies, is installed on St. John. The Authority is the only producer which distributes and sells electric power in the Virgin Islands, and it serves residential, commercial, industrial and street lighting customers as well as the Government of the Virgin Islands. A limited number of industries generate part or all of their own power requirements. The Authority has approximately 39,000 customers.

The Authority also produces water as part of its Water System through a desalinization or distillation process, which is carried on in conjunction with its steam electric power generation. The Department of Public Works of the Virgin Islands purchases water produced by the Authority.

In past years, a number of engineering reports commissioned by both the Authority and the Virgin Islands Government have focused on certain conditions of disrepair which existed with respect to the Electric System as adversely affecting the reliability of electric service of the Authority. Among those factors to which such engineering reports referred were the lack of a maintenance management program, the need for employee training programs and for a comprehensive preventative maintenance program, and the need for major repair and overhaul work with respect to some of the equipment of the Authority's power production facilities.

The Authority has since the issuance of these reports instituted an extensive repair and preventative maintenance program with respect to its facilities and has sought to follow many of the recommendations set forth in such reports.

Since 1978, the Virgin Islands Government has contributed grants to the Authority for the purchase of acquiring new generating equipment and to undertake major overhaul of existing plants of the Electric System. Additionally, to remedy water shortages and operational difficulties, the Authority has added production capacity to the Water System by constructing new desalination plants with grant monies from the V. I. Government. Those grants have amounted to $36,528,000.

With those funds the Authority acquired two 20 megawatt combustion (gas) turbines, one each located on the islands of St. Thomas and St. Croix, to provide stationary power while major overhaul work is being accomp-

lished on existing equipment. Overhaul of two steam generators on St. Croix has been completed as well as overhaul of the two main steam generators on St. Thomas. Three of those units will need modernization of instrumentation, controls and monitoring equipment in the future.

Three desalination plants have been constructed, two on St. Thomas, one on St. Croix. Each plant has a rated capacity of 1.25 MGD and is in production. Three more plants, two on on St. Croix and one on St. Thomas are under construction. Each is rated at 0.55 MGD. Additionally, one desalination plant on St. Croix was retrofitted to produce 1.0 MGD.

All funds have been utilized and the V. I. Government is not in a position to give additional financial assistance.

Amount Budgeted FY 1984: None

Feasility: The objectives of the Authority are to have electric power generating and distribution equipment in a reliable and adequate status, optimizing economic utilization of available fuel sources to meet present and future demands. The same holds for the Water System.

The major rehabilitation program of baseline electric generating equipment begun by the Authority is intended to achieve those objectives. However, without additional external funding, the increased reliability and efficiency achieved to date could rapidly diminish.

If the increase is granted, the Authority will be able to complete the major overhaul of

its equipment in a timely and scheduled manner. The program contemplates overhaul of two diesel generators on St. Croix which which will then result in lower fuel costs. It will also be able to effect repairs to the electric distribution systems on all three islands with resultant lower line losses and afford firm supply of power to St. John.

The first order of priority is to acquire and install the underwater electric distribution cable to St. John and to construct the 34 KV subtransmission system on St. Thomas. Implementation of this work has been deferred for several years, resulting in costly emergency repairs to the underwater cable and overloading of feeders on the island of St. Thomas.

The second priority is to completely factory rebuild two 4.5 megawatt diesel generators on St. Croix. This will allow the Authority to better dispatch its units for efficient loading with resultant fuel savings.

The third priority is to make improvements to the electric distribution systems on both islands so that inordinate line losses, now averaging 12 to 14 percent, can be reduced.

Capability:

Description of work to be accomplished between July 1, 1983 and June 30, 1984

St. Thomas-St. John	Cost
Replace Submarine Cable System to St. John, three main cables plus one spare. Project has been deferred twice for lack of funds resulting in costly emergency repairs.	$1,800,000

Construction of a 34 KV Subtransmission System. This system planned eight years ago is needed to upgrade the 15 KV system and relieve over-loaded feeders. The system to be constructed consists of a 34 KV substation, 31 KV subtransmission lines, 34-5/15 KV distribution substation. Construction has been deferred due to lack of funds and impediments of the Authority's long-term indebtedness Bond Resolution.	$1,294,000
Conversion of 4-16 KV distribution feeders to 15 KV by replacing 40-year-old, deteriorated distribution lines.	$ 348,000
Subtotal (St. Thomas)	$3,442,000

St. Croix

Reconductor one mile of feeder to increase service to Christiansted and serve as a loop feeder.	$ 17,000
Convert five miles of feeder from 1ø to 3ø to relieve overloaded conditions.	$ 61,000
Construct feeder loop at portion of Frederiksted to avoid interruption of service to that city.	$ 40,000
Rebuild eight miles of distribution feeder to increase capacity and also to serve as alternate supply to Frederiksted.	$ 120,000
Relocation of substation feeders at street crossings.	$ 20,000
Install nine voltage regulators and seven capacitor banks to maintain voltage on long feeders, correct power factor and reduce voltage losses.	$ 170,000
Replace rotted, decayed poles throughout island.	$1,000,000
Return unit no. 6 diesel to manufacturer for a complete overhaul and refurbishing with modern components. Disassembly and shipping charges included.*	$1,065,000
Return unit no. 12 diesel to manufacturer for a complete overhaul and refurbishing with modern components. Disassembly and shipping charges included.*	$1,065,000
Subtotal (St. Croix)	$3,558,000
TOTAL FOR FY 1984	$7,000,000

*Overhauls will render the units operable and available for backup capabilities and increased generating capacity.

Outlay Effect:

Capital Expenditures

Location	Project	Cost	Date Required
St. Thomas-St. John	Underwater Distribution Cable to St. John	$1,850,000	October, 1983
St. Thomas-St. John	34 KV Subtransmission System	$1,294,000	October, 1983

Overhaul of Generating Equipment

Location	Project	Cost	Date Required
St. Croix	Overhaul unit no. 6	$1,065,000	October, 1983
St. Croix	Overhaul unit no. 12	$1,065,000	January, 1984

Repairs to Electric Distribution System

Location	Project	Cost	Date Required
St. Thomas	Conversion of Distribution Feeders	$ 348,000	January, 1984
St. Croix	Replacement of Poles	$1,000,000	October, 1983
St. Croix	Improvement to Feeders	$ 428,000	January, 1984

CAPABILITY STATEMENT: WATER SYSTEMS

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Administration of Territories
Activity:	Government of the Virgin Islands
Proposed Amendment:	$3 million for FY/84 ($12 million over four years) to the Department of Public Works for the rehabilitation and improvements to the existing water distribution system.
Current Program:	Through a $500,000 grant from HUD, engineering studies resulting in a Master Plan for repairs and improvements to the territorial water distribution system have been underway since August, 1981 and are now 95% complete. Early out projects identified in the Plan and implemented during the past fiscal year include: $850,000 for the repairs of two 10.5 mg water storage tanks on St. Thomas; $225,000 to complete and activate the St. Thomas East End Water Transmission System; $680,000 for the installation of a 2 mg water storage tank at Estate Mon Bijou, St. Croix; $400,000 for the installation of water lines at Estate Glynn, St. Croix; $45,000 to replace and install 1,200 water meters on St. Thomas. Upon completion of the Master Plan, the FmHA and EDA are committed to $500,000 grants each, plus a low interest loan of $2,500,000 for plan implementation in rural and urban areas of the territory.
Amount Budgeted FY/84	None
Feasibility:	The major portions of the territory's water distribution system were installed during the early 1950's and have deteriorated over time because of the highly corrosive soils in which the pipe was laid, and the chemically aggressive nature of the desalinated water used since the mid 1960's. Also significant is the fact that inconsistent water supply during these years resulted in numerous time frames when no water was in the pipe accelerating the oxidation process. Sonic testing of the distribution system indicates approximately 40-45% of the water on St. Thomas and 15-20% of the water on St. Croix is lost due to system leakage. These percentages translate into a daily loss of $17,000 in water revenues. Clearly, the V.I. Government cannot afford to lose over seven million dollars annually to leakage loss. The water problem has been a top priority for the last four years during which time a concerted effort was made to generate a comprehensive engineering analysis of the problems, while simultaneously making constructive improvements to the system. The V.I. Government is now ready to act, confident in the direction established by the Plan. However, no authorization exists to provide the required funding. The local government is incapable of providing all the financing necessary to accomplish our twin goals of eliminating the need for subsidizing the system and improving the quality of water delivered to the consumer.
Capability:	The total cost of replacing and improving the existing territorial water distribution system is estimated at $30-$32 million (in 1982 dollars spent over 8 years until 1990). Funding sources are

identified as follows: $12 million federal funds (4 years); $1.0 million grant FmHA, EDA: $2.0 million CDBG: $2.5 million FmHA bond issue; $13 million VIG contribution.

Construction Sequence
and Financing Requirements:

Fiscal 84	Rehabilitate Charlotte Amalie, Phase I, Year I	$ 375,000
	Replace Airport Water Main Year I	125,000
	Construct Tutu-Bovoni Water Line Year I	500,000
	Replace Sugar Estate Water Mains and Construct .5 MG Tank	780,000
	St. Croix System Rehabilitation, Phase I, Year I	500,000
	Construct Line from Richmond to Dolby Hill	650,000
	Construct Caroline, St. John Well Field	70,000
		$3,000,000
Fiscal 85	Rehabilitate Charlotte Amalie, Phase I, Year II	$ 375,000
	Replace Airport Water Main, Year II	125,000
	Construct Tutu-Bovoni Water Line Year II	500,000
	Rehabilitate Charlotte Amalie, Phase II, Year I	500,000
	St. Croix System Rehabilitation, Phase I, Year II	500,000
	St. Croix System Rehabilitation, Phase II, Year I	250,000
	Water Line from Richmond to Dolby Hill	650,000
	Construct 50,000 G Storage Tank Carolina, St.John	100,000
		$3,000,000
Fiscal 86	Rehabilitate Charlotte Amalie, Phase II, Year II	$ 500,000
	Construct Tutu-Bovoni Water Line Year III	500,000
	Construct Gomez School Water Tank Year I	500,000
	Repair Salt Water System, St. Thomas	100,000
	Replace East-West Lines, Frederiksted	450,000
	St. Croix System Rehabilitation, Phase II	250,000
	Construct Line Concordia to Kingshill, Year I	385,000
	Repair Salt Water System, St. Croix	100,000
	Construct Transmission Line from NPS Dock to Roman Hill, add hydrants	215,000
		$3,000,000
Fiscal 87	Rehabilitate Charlotte Amalie, Phase II, Year III	$ 500,000
	Construct Gomez School Water Tnak, Year II	500,000
	Construct Careen Hill 2 MG Tank	500,000
	Concordia to Kingshill, Year II	385,000
	Construct 1 MG St. John Tank, St. Croix	540,000
	Construct Wheel of Fortune 5 MG Tank and Transmission Line	575,000
		$3,000,000

The foregoing program addresses only the correction of an existing problem. The extension of water delivery capability into new population centers will be undertaken by the local government from increased revenues resulting from improved system efficiency. It is estimated that another $40 million, to be spent through the year 2000, will be necessary to implement the planned expansion of water services to the people of the Virgin Islands.

CAPABILITY STATEMENT
ALEXANDER HAMILTON AIRPORT RUNWAY EXTENSION
ST. CROIX, U. S. VIRGIN ISLANDS

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Administration of Territories (Virgin Islands)

Activity: Government of the U. S. Virgin Islands

Proposed Amendment: 12 million dollars ($12,000,000.00)

Current Program: Environmental Assessment Report on the Extension of St. Croix's Alexander Hamilton Airport to an effective length of 10,000 linear feet has been completed and is being reviewed by the FAA.

Amount Budgeted: None

Feasibility: The existing runway at Alexander Hamilton Airport on St. Croix has been programmed for an extension to 10,000 feet in a westerly direction. This extension will consist of 2400 linear feet with associated taxiways, marking and lighting. The extension will be constructed entirely on property under the jurisdiction of the airport. The 10,000 foot runway on St. Croix would provide a sufficiently long runway in the Virgin Islands Airports System Plan to handle long-haul and transatlantic flights to Europe and South America. This service is necessary to expand our tourist based economy. Current direct service is limited to Miami and New York. With the runway extension, St. Croix will have the capability of penetrating the midwest and west coast markets in addition to transatlantic flights. Several tour operators from the west coast have indicated an interest in bringing in charter flights to St. Croix if the runway is capable of accepting flights on a non-stop basis. The extended runway will also enable St. Croix to serve as a turnaround point for the fly/cruise market. In order for the economy of St. Croix to grow and in order to protect the security of the United States and its interests in the Caribbean, this project merits a very high priority position.

Capability: The cost of the extension of the Alexander Hamilton Airport runway in 1983 dollars, including cost of engineering and associated services, is approximately 12 million dollars, broken down as follows:

Engineering costs (design of plans and specifications) $500,000.

Construction costs - $10,000,000.

Inspection costs, approximately $1,000,000.

Testing costs, approximately $500,000.

Outlay Effect: Anticipated construction time is two and one-half years. The funds would be needed in the following manner:

1.5 million dollars the first year.

7 million dollars the second year.

3.5 million dollars the last half year.

STATEMENT OF PETER TALI COLEMAN, GOVERNOR, AMERICAN SAMOA

Mr. Chairman and the distinguished members of the Committee. Allow me to extend to you, on behalf of the people of American Samoa, our warmest greetings and acknowledge with heart-felt appreciation your continued support of our programs. Your support has been a source of inspiration for us to strive for self-sufficiency and, to the extent practical, reconcile increasing needs against our limited resources without upsetting the balance between economic, political and social development. We believe we have maintained this balance in spite of limited resources which are vitally needed to achieve our ultimate goal of self-sufficiency.

The request before you for fiscal year 1984 calls for the following figures compared to fiscal year 1983.

	($000) FY 1983 Approved	FY 1984 Request	% Change
Operations			
President's Budget	$18,903	$18,900	0 %
Congressional Add-ons			
Maintenance of Power	2,160	-0-	-100 %
Off-Island Medical Referrals	500	-0-	-100 %
TOTALS	$21,563	$18,900	- 14 %
Capital Improvements	1,777	2,000	+12.5%
Economic Development Loan Fund	500	-0-	-100%
TOTALS	$23,840	$20,900	-12.3%

As proposed, the Administration's request for American Samoa is 12.3% less than fiscal year 1983 in total. However, given the fact that operations has been held to fiscal year 1983 funding levels without any allowance for annual inflation which we estimated to be $1,063,000, the estimated reduction in terms of 1984 dollars is 21.5%. In our opinion, the proposal before you is unrealistic and in fact, a reduction in present service

levels. We are asking your Committee to consider restoring $1,063,000 simply to maintain current service levels adjusted for inflation in fiscal year 1984.

While we appreciate the $2,000,000 proposed under the capital improvement funds for electrical power improvements, it is far short of our original request containing thirteen projects at a proposed funding of $23,947,000. These projects were carefully selected and scrutinized meticulously by our government and considered to be essential in the development of our infrastructure for continued progress.

American Samoa's request for economic development loan funds ($700,000) and funding for the administration of Canton Island ($200,000) have been deleted. Although we appreciate efforts to control spending by our national government, we believe that the EDLF is vital to the Territory's continued efforts towards economic progress while Canton Island is a mandatory function delegated to American Samoa on behalf of the U.S. Government. The request for these items comes to $900,000 and we urge your favorable consideration.

During its oversight hearings in February of this year, the House Subcommittee on Insular Areas expressed its support for (1) approval of American Samoa's original request for operations of $19.9 million, (2) the administration of Canton Island for $200,000, (3) the economic development loan fund for $500,000 and (4) funding to complete the Marine Railway expansion project for $3 million.

Planning and formulation of American Samoa's budget began in October 1981 under prevailing economic conditions and a projected outlook of external forces which would affect the Territory's economy. Much has happened during the past nineteen months that have altered the assumptions and the forecast of our financial resources. But first, let me brief you on the status of American Samoa's fiscal year 1983 financial situation.

The current fiscal year began with a delay in the congressionally approved budget authorization. This circumstance prompted me to issue an Executive Order directing the agencies of the government to operate at a funding level of 80% of the 1982 fiscal year. This proved to be a fortunate circumstance for the government of American Samoa. By January of this year we began to get signals that our revenue structure was not providing the financial support we had projected. I held preliminary discussions with various department heads and became convinced that there were indeed problems developing for our government. At this time I issued a freeze on hiring and suspended pay raises and promotions and instructed the heads of the executive agencies to reduce expenses wherever possible. In addition I created a Task Force on Government Finances composed of the top financial officers within the administration. The preliminary reports from this group indicated alarming drops in revenue from our own tax resources (see Appendix I). Also we discovered at this time that our financial reporting systems had been supplying misleading data for the last four months of 1982.

On the basis of these findings I reported to your House Committee on Interior during their oversight hearings in February that American Samoa was in financial difficulty and may require outside assistance. Upon my return to the Territory my Task Force submitted a report to me that indicated that we were facing a $9.3 million cash shortfall this year and were developing an overall deficit of $17.9 million. In response to these conditions I asked to meet with our Legislature and at that time presented several approaches to confronting our problems.

It was at this time that the Inspector General for the Department of Interior issued two audit reports that had a bearing on our financial condition. These reports identified serious shortcomings in our financial management systems and

further expressed the opinion that we had misused CIP funds for governmental operations. While we take exception to some of the specific findings contained in these reports we feel that the overall picture is fundamentally correct. We have had continuing problems in our computer based financial management systems and they remain with us today. The issue of the use of CIP funds is far more serious and came as a surprise to me. Subsequent investigations indicated that these funds had been advanced to support the operating needs of our public services: electric utility, marine railway and airport services. No project was deferred, delayed or discontinued as a result of this procedure. Unfortunately our island economic system collapsed this year and it is no longer realistic to project repayment of these accounts on demand. These are being restored by our administration with local revenue. This,of course,further handicaps our recovery efforts. We have segregated funds to support the CIP requirements and they will remain escrowed; of this, I assure you.

After review of these reports Assistant Secretary Sanjuan and I met to discuss our fiscal and management situations. As a result of those discussions Mr. Frank Solomon was assigned to our Territory to review and evaluate our condition. His report to us is in most respects a verification of our status as I have presented to you. We are hopeful of continuing assistance from Mr. Sanjuan's office in the future to aid us in avoiding a repeat of our present circumstances.

Working with our legislators, business, and community leaders, we put together a series of cost containment measures that have begun to reduce our government's expenditures (see Appendix II). We believe that these measures will reduce our cash outlays for the remainder of this fiscal year by $4.2 million. We have also reviewed revenue generating proposals as are available to us and will submit to our legislature in July

a package which could return $5.0 million in 1984 (see Appendix III). Even with these measures we believe that we will still require $2 million this year to maintain the government and an additional $3.2 million to continue construction projects which are essential to our development.

Raising these funds is simply beyond our ability at this time. We have reluctantly concluded that only with outside support will we be able to maintain the fragile development of our public programs and be able to enter 1984 fiscal year with our government structure reasonably intact.

The outside assistance I have mentioned can only come from you. As you are aware we lack the authority to enter the bond market for funds. The revenue measures we are imposing upon ourselves cannot produce funds in time to offset the sharp losses we are experiencing this year. Our economy remains to a large extent underdeveloped and our islands simply do not contain sufficient material wealth to provide the funds we require. We must, therefore, reluctantly propose to the Congress that $5.2 million of financial assistance be provided to American Samoa for the remainder of the 1983 fiscal year through either

1. a supplemental appropriation, or,
2. a long-term loan, or,
3. authority to reprogram CIP funds for use by our government with the understanding that the affected projects would be carried out with our own funds when they become available.

Quite candidly, I would prefer the first alternative, a supplemental appropriation. This procedure would allow us the ability to complete the current fiscal year in satisfactory condition to deal with 1984.

I am hopeful regarding next year. While our own economic outlook will remain bleak, the recovery being experienced by the rest of the United States gives us cause to be optimistic about

the long-term future. The Department of the Interior has made technical personnel available to us and has assured us of continuing support. My people have a long tradition of facing adversity together with a united front. As a transitional government, we are frequently victims of the pitfalls and shortcomings that have affected public institutions since the beginnings of history, but we're learning together. With your help we will prepare now to deal with the next fiscal year. Our estimates at this time are that the recommended funding level before you will be inadequate to support even our scaled down levels of government services.

We will tackle our problems as best we are able and only as a last resort seek outside assistance. I must caution however that failure to achieve some measure of relief in the present fiscal year will eliminate whatever opportunities we have to attack our 1984 financial problems.

The people of American Samoa are grateful for your thoughtful consideration.

APPENDIX I

LOCAL REVENUE

AMERICAN SAMOA GOVERNMENT
(IN $ MILLION)

	FY'83 ESTIMATED & BUDGETED	FY'83 PROJECTION AS OF 1 MAY 83	CHANGE AMOUNT	CHANGE PERCENTAGE
TAXES:				
Corporate Income	$ 10.0	$ 2.7	$ (7.3)	(73%)
Individual Income	3.1	3.0	(0.1)	(3.2%)
Excise Tax	3.5	3.5	---	---
Total	$ 16.6	$ 9.2	$ (7.4)	(44.6%)
FEES FOR SERVICES:				
License & Permits	$ .3	$ .3	---	---
Health Services	.75	.66	(.09)	(12%)

Port Administration	1.1	.86	(.24)	(21.8%)
Public Works	.5	.8	.3	60%
Total	$ 2.65	$ 2.62	$ (.03)	(1.1%)
SALES, RENTS & INTEREST:				
Indirect Cost Recovery	.5	.6	.1	20%
Sale of Supplies	.2	.3	.1	50%
Rents & Leases	.7	.7	---	---
Court Receipts	.04	.04	---	---
Interest & Income	.3	.15	(.15)	(50%)
Liquor Store	.55	.8	.25	.45%
Total	2.29	2.59	.3	13.1%
MISC. INCOME:	.19	.01	(.18)	(95%)
TOTAL LOCAL REVENUE	$ 21.73	$ 14.42	(7.31)	(33.6%)

APPENDIX II

AMERICAN SAMOA GOVERNMENT

Cost Containment Measures

FY 1983

The following is a description of the Cost Containment measures established the American Samoa government and their estimated savings fo 1983:

1)	reduction in personnel costs by reducing the Work Day from 8 to 7 hours	$ 800,000
2)	deferral of job actions, promotions, raises, etc.	$ 500,000
3)	freeze on hiring	$ 670,000
4)	deferral of income tax refunds	$ 1,300,000
5)	increase in power rates	$ 430,000
6)	other cost containment measures including increases for government services, budget cuts and inventory and equipment sales	$ 500,000
	TOTAL	$ 4,200,000

APPENDIX III

AMERICAN SAMOA GOVERNMENT

Legislative Revenue Proposals

FY 1984

The following is a list of revenue generating proposals to be introduced in the 1983 legislative session to go into effect during the 1984 fiscal year:

Legislation	Estimated fiscal impact
1) Increase present excise tax on dutiable items (cigarettes, liquor, etc.)	$ 700,000
2) Expand excise tax to include luxury items (video recorders, radios, TV's etc.)	250,000
3) Increase statutorily based fees for government services	50,000
4) Charge a tuition fee at the community college	40,000
5) Institute a 1% gross sales tax	4,000,000
Total	$5,040,000

STATEMENT OF HON. CARL T. C. GUTIERREZ, SPEAKER, SEVENTEENTH GUAM LEGISLATURE

Mr. Chairman, Thank you for this opportunity to appear today before this committee. As the Speaker of the 17th Guam Legislature it is my duty and obligation to speak out on behalf of my constituents and colleagues in support of the request by my Congressman and Governor for additional federal support for the territory.

Let me begin by stating that I was shocked to hear that the Department of the Interior had requested only $4 million for Guam in its fiscal 1984 budget. We have been talking with officials at the Office of Territorial and International Affairs for the past year about the serious economic problems facing Guam. There is no secret that we have double digit unemployment. That Guam's economy is headed backwards instead of progressing. That the impact of federal laws has handcuffed our ability to bring in new industry. And that our local treasury is daily losing revenues because of the depressed state of our economy. Nor is it any secret to the Department that Guam's public facilities, from our roads to our public schools, are in such a sad state of disrepair that visiting Congressional delegations are met by angry military personnel who demand that something be done to bring Guam's public systems up the standards expected of an American community.

But non-withstanding these facts and many more, it is obvious that a decision has been made at the highest levels of the Federal Government to completely ignore our plight. Frankly, I thing this is sad--both for Guam and our national government--because we are losing an opportunity to not only make Guam self-sufficient, but a true reflection of the American way of life for millions who live in the Pacific.

I recognize that you who serve this great nation are hard pressed to find the resources to meet the needs of over 220 million Americans. And I understand that the federal treasury is not a bottomless pit.

But I am not here asking for handout. Guam's relationship with the United States is well established. You in the Congress who have done so much for my island understand that we are fighting a difficult battle in the territories against years of neglect and against a worldwide economic change of magnitude which has crippled other nations.

But I appeal to this Committee to recognize as the Interior Department should, that Guam does not stand alone, separate from the United States. We are part of this nation.

Thus, I urge this committee to reflect carefully on the level of support it will agree to approve for projects in Guam during the coming year. There is a very real need for the projects we have proposed. The Tumon Bay water and sewer project will

help revitalize tourism on Guam. And this in turn will bring new jobs for our people and additional funds for local tax coffers.

The new penitentiary is also a vital project designed to keep down crime in an island which only a few years ago enjoyed peace and relative quiet.

In closing I want to comment on another prpblem facing Guam. The question of federal laws and regulations and their impact on Guam is one which deserves the close attention of all of us. The extent of the manner in which our relationship with federal agencies hurts Guam's ability to develop its own resources cannot be understated. I note that we have been working for years now to end the relationship between the Government of Guam and the U.S. Navy in which the Navy jointly operates the local power generating system. For over 30 years we hve sought to terminate this relationship and place the Government of Guam in a position as the sole source of power--just as it is the case in all of the states. The present situation forces the territorial government into a position of subsidizing Navy power needs and it is exactly conditions such as this which tend to keep our economy depressed and dependent on the Federal Treasury for subsidizes. Your support for ending this type of condition is requested.

That is the end of my statement and I thank you for your attention and time.

STATEMENT OF PEDRO P. TENORIO, GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

I AM PEDRO P. TENORIO, GOVERNOR OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS. ON BEHALF OF THE GOVERNMENT AND PEOPLE OF THE NORTHERN MARIANAS, I EXTEND TO YOU, MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, OUR DEEP APPRECIATION FOR THE HONOR AND PRIVILEGE TO PRESENT TESTIMONY ON THE PROPOSED FY 1984 BUDGET. BEFORE I DO SO, I WISH TO CONVEY OUR PROFOUND SORROW OVER THE PASSING AWAY OF OUR ESTEEMED COLLEAGUE, THE HONORABLE PHILIP BURTON. CONGRESSMAN BURTON MADE UNFORGETTABLE AND LASTING IMPRESSIONS AND CONTRIBUTED MUCH TO US MICRONESIANS IN NUMEROUS AREAS. WE WILL MISS HIS GUIDANCE TO THE INFANT PACIFIC ISLAND DEMOCRACIES WHICH HE HELPED CREATE.

THE PEOPLE OF THE NORTHERN MARIANA ISLANDS ARE GRATEFUL TO THE UNITED STATES GOVERNMENT FOR ITS CONTINUING GENEROSITY IN SUPPORT OF OUR YOUNG GOVERNMENT. FOR FY 1984, THE COVENANT PROVIDES A TOTAL OF $28,930,000, WHICH IS BROKEN DOWN AS FOLLOWS: $17,049,000 FOR BASIC GOVERNMENT OPERATIONS, $8,265,000 FOR CAPITAL IMPROVEMENT PROJECTS, AND $3,616,000 FOR ECONOMIC DEVELOPMENT PROJECTS. WHILE WE ACKNOWLEDGE, WITH APPRECIATION, THE PROPOSED ADDITIONAL $5,000,000 TO CONTINUE THE CONSTRUCTION OF THE HOSPITAL REPLACEMENT PROJECT, WE DO NOT AGREE THAT THE ADMINISTRATION'S REQUEST IS SUFFICIENT TO ADEQUATELY COMPLETE THE PROJECT.

IN FY 1984, OUR PROJECTED LOCAL FINANCIAL RESOURCES, CONSISTING OF REVENUES FROM LOCAL TAXES, FEES AND OPERATIONAL REIMBURSEMENTS, AMOUNT TO $18,696,000. THIS PROJECTION SHOWS A SUBSTANTIAL INCREASE OVER PREVIOUS YEARS' REVENUE COLLECTIONS, BUT EVEN WITH THIS RESOURCE ADDED TO THE COVENANT FUNDS FOR OPERATIONS ($17,049,000), WE FIND THAT FUNDS FOR THE OPERATION OF OUR GOVERNMENT CONTINUE TO BE INADEQUATE DUE PRINCIPALLY TO ESCALATING COSTS ASSOCIATED WITH WORLD-WIDE INFLATION AND ECONOMIC STAGNATION. WE BELIEVE THAT WE HAVE IMPOSED SUFFICIENT TAXES, UTILITY SERVICE FEES AND OTHER FEES ON OUR POPULATION. WE HAVE ATTEMPTED TO REDUCE OPERATIONS EXPENDITURES BY REDUCING OR LIMITING PUBLIC SERVICES. ANY FURTHER INCREASE IN TAXES OR FEES BY OUR GOVERNMENT WILL ONLY AGGRAVATE OUR CURRENT ECONOMIC PROBLEMS.

IN ADDITION, IN ORDER TO COMPLY WITH THE VARIOUS FINANCIAL MANAGEMENT RECOMMENDATIONS OF THE FEDERAL COMPTROLLER'S REPORTS, WE WERE OBLIGED TO SPEND OUR LIMITED FINANCIAL RESOURCES TO SETTLE OLD DEBTS, RECRUIT EXPERTISE, ETC.

COMPARATIVELY SPEAKING, THE BIGGEST EXPENDITURE IN OUR OPERATION CATEGORY PAST AND PRESENT, IS FOR FUEL FOR POWER GENERATION WHICH HAS ESCALATED FROM $800,000 IN 1977 TO $7,000,000 IN 1983. WITH THE ADDITION OF A FOURTH GENERATOR, SCHEDULED TO BE OPERATIONAL ON SAIPAN IN AUGUST 1983, THE COST FOR FUEL IS ESTIMATED TO BE IN EXCESS OF $8,000,000 A YEAR. BECAUSE OF OUR LIMITED ANNUAL OPERATIONS BUDGET, AND CONSTRAINTS IMPOSED BY P.L. 94-241 IN THE EXPENDITURE OF COVENANT FUNDS, WE COULD ONLY IDENTIFY $5,554,500 FOR POWER GENERATION IN 1984. THEREFORE, FOR FY 1984 WE ARE REQUESTING ADDITIONAL FUNDING IN THE AMOUNT OF $2,500,000. THIS IS NECESSARY IN ORDER TO OFFSET THE MAJOR INCREASE IN POWER GENERATION COSTS. EXCESSIVE CURBING OF POWER USAGE WILL ONLY RESULT IN DECREASED ECONOMIC ACTIVITY AND ENDANGER THE HEALTH AND WELL-BEING OF OUR POPULATION. WE ARE, HOWEVER, ENCOURAGING CONSERVATION MEASURES.

WITH RESPECT TO CAPITAL IMPROVEMENT PROJECTS IN 1984, WE HAVE PROVIDED $2,237,000 TO CONTINUE ON-GOING AND NEW WATER IMPROVEMENT AND DEVELOPMENT WORK AS FOLLOWS: $1,635,000 FOR POWER, $2,532,000 FOR HIGHWAY, AND $140,000 FOR WASTEWATER FACILITIES CONSTRUCTION TO MATCH THE EPA WASTEWATER FACILITIES CONSTRUCTION GRANT. WHILE WE ARE MAKING EVERY EFFORT TO SPEND OUR LIMITED COVENANT CIP FUNDS FOR CRITICAL PROJECTS, THE

FY 1984 CIP FUNDING WILL NOT HAVE A MAJOR IMPACT ON THE INFRASTRUCTURE REQUIREMENTS PROJECTED TO MEET THE GOALS AND OBJECTIVES OF OUR 7-YEAR SOCIO-ECONOMIC DEVELOPMENT PLAN, WHICH REQUIRE LARGE CAPITAL OUTLAYS FOR NEEDED CAPITAL IMPROVEMENT PROJECTS WHICH ARE BEYOND THE COMMONWEALTH'S ABILITY TO FINANCE WITH EXISTING RESOURCES. ALTHOUGH THE CONSTRUCTION INDEX INFLATION FACTOR IS BUILT INTO THE ANNUAL CIP FUNDING LEVEL, WE HAVE DISCOVERED THAT ADDITIONAL FUNDS ARE REQUIRED IN THE YEARS TO COME TO REASONABLY IMPROVE OUR ISLAND UTILITIES AND BASIC INFRASTRUCTURE.

WE URGENTLY NEED TO DEVELOP THE BASIC UTILITIES AND INFRASTRUCTURE OF OUR ISLANDS IF WE ARE TO MEET OUR GOAL OF ECONOMIC SELF-SUFFICIENCY AND TO GRADUALLY RAISE OUR STANDARD OF LIVING TO A RESPECTABLE LEVEL COMPARABLE TO OTHER INSULAR AREAS AND STATES WITHIN THE AMERICAN POLITICAL FAMILY.

THERE IS NO DOUBT THAT DURING THE SIX YEARS OF OUR POLITICAL ASSOCIATION WITH THE U.S., WE HAVE MADE CONSIDERABLE PROGRESS AS COMPARED TO OUR STATUS UNDER THE TRUST TERRITORY ADMINISTRATION. THIS IS ESPECIALLY TRUE AS REGARDS PROJECTS RELATED TO TOURISM WHICH REMAINS THE CORNERSTONE OF OUR ECONOMY. BECAUSE OF INCREASED AIRLINE FLIGHTS FROM JAPAN AND CONTINUING DEVELOPMENT OF TOURISM FACILITIES ON OUR ISLANDS, THE NUMBER OF VISITORS CONTINUE TO INCREASE AND WE EXPECT 130,000 VISITORS THIS YEAR. HOWEVER, THE SERVICING OF THIS INDUSTRY PLACES SEVERE STRAINS ON OUR LIMITED WATER, POWER, HIGHWAY, HARBOR AND WASTEWATER FACILITIES. IF WE ARE TO CONTINUE TO PROMOTE TOURISM AS OUR PRIME REVENUE SOURCE, WE NEED TO UPGRADE THESE FACILITIES URGENTLY IN ORDER TO KEEP PACE WITH THE DEMANDS AND GROWTH OF THIS VITAL INDUSTRY WHICH NOT ONLY PROVIDES DIRECT REVENUES BUT ALSO EMPLOYMENT OPPORTUNITIES FOR OUR PEOPLE. THE EXISTENCE OF ADEQUATE UTILITIES AND VISITOR FACILITIES ARE MANDATORY INVESTMENT INCENTIVES FOR THE GROWTH OF TOURISM IN THE COMMONWEALTH. IN ADDITION, WE MUST PROVIDE A RELIABLE SYSTEM OF UTILITIES AND INFRASTRUCTURE TO SATISFY THE REQUIREMENTS OF OTHER POTENTIAL BUSINESS INVESTORS IN THE COMMONWEALTH.

THE PROVISION OF ADEQUATE MEDICAL SERVICES AND THE PREVENTION OF DISEASES ARE IMPORTANT AND CRITICAL GOALS THAT WE HAVE SET FOR OURSELVES. BECAUSE OF AGE AND THE LACK OF APPROPRIATE MAINTENANCE PROGRAMS IN THE PAST, WE INHERITED SUBSTANDARD MEDICAL FACILITIES ON SAIPAN, TINIAN AND ROTA WHEN WE BECAME A SELF-GOVERNING U.S. COMMONWEALTH IN 1978. SINCE THAT TIME WE HAVE SPENT OVER $2,000,000 IN AN ATTEMPT TO REMEDY SOME OF THE NUMEROUS DEFICIENCIES IN BUILDINGS WHICH WERE POORLY DESIGNED AND BUILT OF MATERIALS THAT ARE NOT SUITED TO WITHSTAND THE SEVERE CLIMATE OF THE TROPICS. MOREOVER, THE LACK OF CERTAIN CRITICAL MEDICAL SERVICES AND SPECIAL EQUIPMENT COMPELLED US TO ESTABLISH A MEDICAL REFERRAL PROGRAM, THE COST OF WHICH HAS ALARMINGLY INCREASED FROM $250,000 IN 1977 TO AN ESTIMATED $1,600,000 IN 1983. WE EXPECT THE SAME OR HIGHER LEVEL OF EXPENDITURE IN 1984. WE LOOK FORWARD TO COOPERATING WITH THE GOVERNMENT ACCOUNTING OFFICE (GAO) IN ITS CONGRESSIONAL DIRECTIVE TO STUDY THE PROBLEMS ASSOCIATED WITH MEDICAL REFERRAL IN THE TERRITORIES AND MICRONESIAN ENTITIES.

NEW PUBLIC HEALTH FACILITIES ARE UNDER CONSTRUCTION IN ROTA AND TINIAN THROUGH FUNDS MADE AVAILABLE BY THE HILL-BURTON DISPENSARY CONSTRUCTION PROGRAM. OUR GOVERNMENT WILL BE RECEIVING FROM THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES $1,500,000 FOR THE CONSTRUCTION OF TWO SEPARATE PUBLIC HEALTH CENTERS. CONSTRUCTION BIDS RECEIVED FOR BOTH TOTAL $1,900,000, WHICH IS $400,000 MORE THAN THE AVAILABLE FUNDING. FURTHER, TO REASONABLY EQUIP THE TWO CENTERS, WE NEED AN ADDITIONAL $400,000. THEREFORE, AN ADDITIONAL $800,000 WILL BE REQUIRED TO FINISH CONSTRUCTION AND TO PURCHASE EQUIPMENT AND FURNISHING. WE WISH TO PLACE THIS REQUEST ON RECORD, MR. CHAIRMAN, IN THE FY 1984 BUDGET AUTHORIZATION.

THE COMMONWEALTH HEALTH CENTER ON SAIPAN IS ESTIMATED TO COST $30,000,000 INCLUSIVE OF CONSTRUCTION AND THE PURCHASE OF COLLATERAL

EQUIPMENT AND FURNISHING (GROUP II AND III MOVEABLE EQUIPMENT). THE CENTER, WHEN COMPLETED, WILL HAVE 74 BEDS, WITH CAPACITY TO EXPAND TO 100 BEDS, AND WILL PROVIDE IN-PATIENT NURSING, ANCILLARY, OUT-PATIENT CLINICS, PUBLIC HEALTH AND CLINICS, DENTAL CLINICS, AND SUPPORT AND SUPPLY FACILITIES. IT WILL HAVE EMERGENCY POWER AND WATER SYSTEMS TO GUARD AGAINST TYPHOONS AND OTHER NATURAL DISASTERS. LAST YEAR, INITIAL CONSTRUCTION FUNDS IN THE AMOUNT OF $10,000,000 WERE APPROPRIATED FOR THIS CRITICAL PROJECT, WHICH IS PROJECTED TO BE COMPLETED AND READY FOR OCCUPANCY WITHIN 24 MONTHS.

WE ARE REQUESTING THE BALANCE OF $20,000,000 TO BE PROVIDED IN FY84 IN ORDER TO ENSURE THAT COSTS WILL NOT CONTINUE TO RISE AND TO COMPLETE THE PROJECT WITHIN THE CONTRACTUAL TIMEFRAME.

IN A SEPARATE REPORT, WE HAVE PROVIDED THE COMMITTEE WITH DETAILED EXPLANATIONS ON THE NEGATIVE IMPACTS ON CONSTRUCTION SHOULD FUNDING BE DELAYED AND TOTAL FUNDS NOT BE MADE AVAILABLE.

AS WITH THE HEALTH FACILITIES, WE CONSIDER WATER PRODUCTION AND DISTRIBUTION TO BE OF THE SAME HIGH PRIORITY. MR. CHAIRMAN, IN ALL PREVIOUS TESTIMONIES BEFORE YOUR COMMITTEE, WE HAVE EMPHASIZED THE NEED FOR FUNDS TO IMPROVE OUR WATER SYSTEM. THIS YEAR IS NO EXCEPTION. THIS YEAR, OUR WATER SUPPLY PROBLEMS ARE AMPLIFIED DUE TO A PACIFIC BASIN WIDE DROUGHT THAT HAS AFFECTED PRACTICALLY EVERY COUNTRY IN THE WESTERN PACIFIC.

THE TRUE WEAKNESS OF THE WATER SYSTEMS IN THE TRUST TERRITORY, GUAM AND THE NORTHERN MARIANAS CANNOT BE MORE ADEQUATELY PORTRAYED BY THE DESPERATE ATTEMPTS OF EACH ISLAND GOVERNMENT TO COPE WITH THE DROUGHT CONDITIONS PRESENTLY EXISTING AND EXPECTED TO CONTINUE FOR SEVERAL MONTHS. WATER RATIONING IN THE TRUST TERRITORY ENTITIES IS AND HAS BEEN A COMMON EVERYDAY EXPERIENCE. GUAM IS PREPARING FOR IT, AND WE IN THE NORTHERN MARIANAS ARE FORCED TO RESORT TO SUCH MEASURES BECAUSE OF REDUCED OUTPUT OF OUR SPRING WATER AND WELL SOURCES, AND THE EXISTING DETERIORATED CONDITIONS OF OUR WATER TRANSMISSION AND DISTRIBUTION PIPELINES.

WE HAVE SPENT OVER ONE MILLION DOLLARS OF CIP IN OUR EMERGENCY EFFORT TO UPGRADE OUR WATER SYSTEM TO A LEVEL THAT WILL SAFEGUARD AGAINST PUBLIC HEALTH HAZARDS AND ALSO MEET THE DEMANDS OF OUR RAPIDLY GROWING PRIVATE SECTOR ECONOMY. FOR SEVERAL MONTHS, WE HAVE MANAGED TO PROVIDE ADEQUATE WATER VOLUME ON A 24-HOUR BASIS ON THE MOST POPULATED ISLAND OF SAIPAN. WE ARE CONTINUING OUR EFFORT TO EXPLORE NEW WATER SOURCES AND TO REPAIR AND REPLACE LEAKS THROUGHOUT THE ISLANDS. WE ARE ALSO INVESTING IN SANITARY WATER TREATMENT EQUIPMENT AND CHEMICALS TO SAFEGUARD AGAINST PATHOGENS IN WATER. WHAT WE ARE DOING IS, IN EFFECT, TRYING DESPERATELY TO CORRECT 25 YEARS OF WATER SYSTEM MISMANAGEMENT AND INADEQUACY OF THE WATER SYSTEM IN THE SHORTEST TIME POSSIBLE. WE ARE SUCCEEDING THROUGH YOUR GENEROUS ASSISTANCE AND COOPERATION, BUT I WILL BE REMISS IF I DO NOT ADMIT THAT MUCH HELP REMAINS TO BE REQUESTED. DETAILS OF OUR REQUEST FOR FUNDS FOR WATER SYSTEM IMPROVEMENT WILL BE SUBMITTED FOR THE RECORD. ALSO, MR. CHAIRMAN, I AM SUBMITTING, FOR THE RECORD, COPIES OF NEWSPAPER ARTICLES CONCERNING THE WATER PROBLEMS BEING FACED BY GUAM, THE NORTHERN MARIANAS AND THE TRUST TERRITORY ENTITIES.

WE ARE ALSO SEEKING ADDITIONAL APPROPRIATIONS FOR THE OTHER PROJECTS. IN ORDER OF PRIORITY, THEY ARE: POWER, HIGHWAY, HARBOR, WASTEWATER, MEDICAL REFERRAL, AMERICAN MEMORIAL PARK, TTPI PROPERTIES, AND ARTS & PERFORMANCE CENTER.

UNDER A SEPARATE PROJECT NOW BEING HANDLED BY THE U.S. DEPARTMENT OF AGRICULTURE, WE WOULD LIKE TO RECOMMEND THAT CONGRESS MAKE THE NECESSARY FUNDING AVAILABLE TO THAT DEPARTMENT FOR THE ERADICATION OF THE FRUIT

(MELON) FLY WHICH HAS INFESTED GUAM FOR MANY YEARS AND IS NOW PRESENT ON OUR ISLAND OF ROTA. BECAUSE OF ITS DISASTROUS EFFECT ON AGRICULTURAL PRODUCTION AND EXPORTATION OF PRODUCE FROM ROTA, PROMPT ACTION IS REQUIRED TO ERADICATE THE FRUIT FLY FROM GUAM AND ROTA BEFORE OTHER ISLANDS OF THE COMMONWEALTH ARE INFESTED. I HAVE BEEN INFORMED THAT OFFICIALS OF THE DEPARTMENT OF AGRICULTURE WILL BE ON GUAM AND THE COMMONWEALTH TO ASSESS THE FRUIT FLY SITUATION.

MR. CHAIRMAN, I WOULD LIKE TO OUTLINE TO YOUR COMMITTEE DETAILS OF THE REMAINING PORTION OF MY TESTIMONY, WHICH IS RATHER LENGTHY, AND REPORT PROGRESS ON THE INFRASTRUCTURE DEVELOPMENT PROGRAMS TO SHOW THAT THE COMMONWEALTH IS MAKING AN UTMOST EFFORT TO UPGRADE THEM. WE HOPE THAT CONGRESS WILL TAKE ALL THIS INTO CONSIDERATION WHEN ASSESSING OUR REQUESTS FOR ADDITIONAL FUNDING.

WE REALIZE THAT THE FY 1984 BUDGET HAS MANY CONSTRAINTS IN IT AND I CAN FULLY UNDERSTAND WHY THE ADMINISTRATION MAY HESITATE TO SUPPORT ALL OF OUR REQUESTS. HOWEVER, WE FEEL THAT THE ADDITIONAL REQUESTS ARE MORE THAN JUSTIFIED AS IT IS ONLY THROUGH APPROPRIATION OF FUNDS THAT WE CAN CONTINUE TO CORRECT LONG-STANDING DEFICIENCIES, IN ORDER TO PROVIDE OUR PEOPLE WITH THE NECESSARY PUBLIC SERVICES, AND SATISFY THEIR MINIMUM HEALTH REQUIREMENTS.

I. COMMONWEALTH HEALTH CENTER

AFTER FOUR COMPREHENSIVE STUDIES BY CONSULTANTS, THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, TOGETHER WITH THE DEPARTMENT OF INTERIOR, RECOMMENDED THAT A NEW MODERN HEALTH FACILITY BE CONSTRUCTED TO REPLACE THE OLD DR. TORRES MEMORIAL HOSPITAL IN ORDER TO PROVIDE ADEQUATE MEDICAL SERVICES TO THE PEOPLE OF SAIPAN AND TO UPGRADE THE FACILITIES TO MEET MINIMUM STANDARDS OF HEALTH CARE THROUGH CERTIFICATION AND ELIGIBILITY IN FEDERAL PROGRAMS CONSISTENT WITH SERVICES PROVIDED TO OTHER CITIZENS OF THE NATION.

IN 1980, CONGRESS AUTHORIZED A SUM OF $24,400,000, ADJUSTED TO INCREASE WITH THE CURRENT PRICE INDEXES OF CONSTRUCTION, TO CONSTRUCT THE HEALTH FACILITY. IN 1982, CONGRESS APPROPRIATED $1,296,000 TO COMMENCE BASIC PLANNING, AND FOR ARCHITECTURAL AND ENGINEERING DESIGN WORK. THE COMMONWEALTH CONTRIBUTED AN ADDITIONAL $287,640 AS SUPPLEMENTAL TO THE DESIGN PHASE. ALSO, DURING THE DESIGN PHASE, A CONSTRUCTION MANAGEMENT FIRM WAS RETAINED TO COORDINATE DESIGN AND TO DEVELOP CONSTRUCTION PRICE ESTIMATES AIMED AT MINIMIZING TOTAL COSTS THROUGH DESIGN INNOVATIONS, REALISTIC AND ACCURATE PRICING OF MATERIALS, AND SAVINGS THROUGH REDUCTION OF CONSTRUCTION TIME. IN FY 1983, CONGRESS APPROPRIATED $10,000,000 FOR CONSTRUCTION COST.

THE COMMONWEALTH HAS WORKED CLOSELY WITH THE SUBCOMMITTEE ON INSULAR AFFAIRS, THE REGION IX OFFICE OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, THE DEPARTMENT OF INTERIOR'S OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS, AND CONTRACTED CONSULTANTS TO ASSURE COMMON UNDERSTANDING AND A COORDINATED EFFORT. WE HAVE NOW PROGRESSED TO THE STAGE WHERE BIDS ARE BEING ADVERTISED FOR BASIC CONSTRUCTION WORK. WE URGENTLY NEED THE BALANCE OF THE CURRENT AUTHORIZED AMOUNT IN ORDER TO COMPLETE THIS MUCH NEEDED FACILITY ON TIME. ANY FURTHER DELAY IN CONSTRUCTION WILL RESULT IN AN INCREASED TOTAL COST OF THE PROJECT FAR IN EXCESS OF THE AMOUNT REPORTED TO CONGRESS IN LAST YEAR'S APPROPRIATION. WE AGREED WITH THE FINDING OF CONGRESS TO MAKE THE FULL AMOUNT AVAILABLE DURING FY 1984 NOT ONLY TO CONTINUE CONSTRUCTION CONTINUOUSLY BUT, MORE IMPORTANTLY, TO SAVE MONEY DUE TO PRICE INCREASES AND DELAYS.

WE BELIEVE THAT THE BETTER JUDGEMENT OF CONGRESS AND THE ADMINISTRATION WILL BE TO ENDORSE THE MOST COST-EFFICIENT METHOD OF COMPLETING THE HEALTH FACILITY. PIECEMEAL FUNDING WILL UNDOUBTEDLY RESULT IN

UNNECESSARY DELAYS AND SIGNIFICANT INCREASES IN COST. CONSEQUENTLY, WE RESPECTFULLY REQUEST THE COMMITTEE ON APPROPRIATIONS TO APPROPRIATE, FOR FY 1984, THE BALANCE OF $20,000,000 FOR THIS PROJECT.

AS MENTIONED ABOVE, THERE IS A SHORTFALL OF $400,000 FOR CONSTRUCTION OF THE PUBLIC HEALTH DISPENSARIES ON TINIAN AND ROTA, AND THERE IS NO FUNDING LEFT IN THE HILL-BURTON PROGRAM FOR PURCHASE OF COLLATERAL EQUIPMENT AND FURNISHING FOR THESE TWO DISPENSARIES, AMOUNTING TO ANOTHER $400,000. WE ALSO REQUEST AN ADDITIONAL AUTHORIZATION/APPROPRIATION OF $800,000 IN ORDER TO PROVIDE ADEQUATE MEDICAL CARE TO THESE ISLANDS.

II. WATER SYSTEM

FOR THE PAST 25 YEARS, CONSUMERS ON SAIPAN HAVE BEEN PLAGUED WITH NOT ONLY INSUFFICIENT VOLUME OF WATER, BUT WATER THAT DOES NOT MEET U.S. PUBLIC HEALTH SERVICE DRINKING WATER STANDARDS. WATER RATIONING WAS A COMMON EVERYDAY PRACTICE. WATER QUALITY WAS SO DETERIORATED DUE TO BACTERIAL CONTAMINATION AND NATURAL SALTINESS OF SOME GROUNDWATER SOURCES THAT PEOPLE ONLY UTILIZED THE LIMITED PUBLIC WATER SYSTEM FOR WASHING AND COOKING. AT THE PRESENT TIME, THE MAJORITY OF HOUSEHOLDS COLLECT RAINWATER FOR DRINKING. HOTELS ARE FORCED TO COLLECT RAINWATER AND MANY INVESTED IN EXPENSIVE WATER TREATMENT UNITS TO PROCESS THE BRACKISH WATER TO AN ACCEPTABLE POTABLE LEVEL.

THE SITUATION BECAME SO BAD BETWEEN 1981 AND 1982 THAT WE HAD TO DISCOURAGE TOURISTS FROM VISITING SAIPAN AND WE WERE FORCED TO DECLARE A STATE OF EMERGENCY IN ORDER TO REPROGRAM FUNDS FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS. WE SPENT OVER $1,000,000 FOR THE ADDITION OF 15 NEW DEEP-WELLS, AND FOR REPLACEMENT OF DEFECTIVE PUMPS IN THE SYSTEM. WE NEARLY DOUBLED THE VOLUME OF WATER SUPPLIED, BUT WE ALSO INCREASED THE LOSSES IN OUR OLD LEAKY SYSTEM. WE HAVE BEGUN CONSTRUCTION OF THE AIRPORT WATER CATCHMENT AND TREATMENT SYSTEM WHICH WAS FUNDED BY THE CONGRESS AND EDA. WE EXPECT TO PROCESS CLOSE TO ONE MILLION GALLONS OF RAINWATER DAILY TO SUPPLEMENT GROUNDWATER SOURCES AND TO IMPROVE QUALITY.

USING OUR CIP FUNDS AMOUNTING TO $300,000, WE COMMISSIONED TWO DETAILED STUDIES TO EVALUATE THE ENTIRE SAIPAN WATER SYSTEM AND TO DEVELOP COST ESTIMATES FOR IMPROVEMENT. WE SPENT ANOTHER $400,000 TO COMMENCE UPGRADING AND EXPANSION OF THE SYSTEM IN 1983. WE STILL HAVE MANY HOMES THAT ARE NOT CONNECTED TO THE PUBLIC WATER SYSTEM. OUR PROBLEMS ARE NOT ONLY LIMITED SOURCE AND AN OLD SYSTEM, BUT ALSO THE LACK OF FINANCIAL CAPABILITY TO EXPAND THE SYSTEM TO MEET CURRENT AND FUTURE WATER DEMANDS. WE HAVE PROGRAMMED $1,800,000 OF OUR CIP FUNDS IN FY 1984 TO START REPLACING LEAKY PIPES. OUR LIMITED COVENANT FUNDS WILL NOT ALLOW US TO ACCELERATE THIS WORK. AT THE SAME TIME, OUR WATER BECOMES MORE CONTAMINATED. WE ESTIMATE THAT WE WILL NEED ANOTHER $11,000,000 TO COMPLETE THIS WORK OVER THE NEXT THREE YEARS. THE IMPLEMENTATION OF THIS PROJECT WILL RESULT IN WATER CONSERVATION, REDUCTION IN PUMPING COSTS, ENHANCEMENT OF WATER QUALITY, AND WILL GIVE US A RELIABLE AND ADEQUATE SUPPLY NOT ONLY FOR PUBLIC HEALTH REASONS BUT ALSO TO MEET THE INCREASING DEMAND OF WATER SO NECESSARY TO OUR ECONOMIC GROWTH. FEDERAL AGENCIES SUCH AS EPA AND EDA HAVE BEEN EXTREMELY HELPFUL IN OUR EFFORT TO IMPROVE OUR WATER SYSTEM. WE WOULD LIKE CONGRESS TO CONTINUE TO ENCOURAGE THE FUNDING OF THESE AGENCIES AND TO ALSO REQUEST THAT THE U.S. BUREAU OF RECLAMATION AND ARMY CORPS OF ENGINEERS ASSIST US WITH OUR SERIOUS PROBLEMS.

BESIDES SAIPAN, THE WATER PIPES OF ROTA AND TINIAN ARE ALSO OLD AND CORRODED. THEY SHOULD BE REPLACED AT AN ADDITIONAL COST OF $3,000,000 FOR ROTA AND $1,800,000 FOR TINIAN. WE HAVE ALREADY EARMARKED $437,000 IN OUR 1984 CIP FUNDS FOR TINIAN AND WE ARE REQUESTING $5,000,000 IN FY 1984 TO COMMENCE WORK ON SAIPAN AND ROTA. MORE DETAILS ON THE COST ESTIMATES ARE GIVEN IN ATTACHMENT #2.

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III. POWER AND FUEL COST

THE OLD POWER BARGE WE INHERITED IN 1978 IS A THING OF THE PAST. IN ITS PLACE IS A MODERN POWER PLANT FUNDED BY CONGRESS WHICH STARTED OPERATION IN SAIPAN IN 1980. IT HAS THREE GENERATORS OF 7.2 MW EACH, WITH TWO RUNNING WHILE THE REMAINING ONE IS BEING OVERHAULED TO BE RESERVED AS A STANDBY UNIT. AS FROM LAST YEAR, THE EXISTING GENERATORS COULD NOT MEET PEAK DEMAND, AND WE PRESENTLY RELY ON AN ANTIQUATED AND COSTLY BACKUP SYSTEM. RECURRING POWER OUTAGES AND THE RAPID RATE OF ECONOMIC GROWTH HAVE FORCED US TO PROCURE A FOURTH 7.2 MW GENERATOR SCHEDULED TO BE OPERATIONAL IN AUGUST 1983. WE ARE PAYING FOR IT OUT OF OUR LIMITED COVENANT CIP FUNDS. BECAUSE OF OUR INTEREST IN CONTINUED ECONOMIC GROWTH THROUGH INNOVATIVE INVESTMENT SCHEMES IN TOURISM AND LIGHT INDUSTRIES, WE HAVE PREDICTED THAT A FIFTH GENERATOR WILL BE NEEDED BY 1985.

OUR CIP FUNDS ARE PROVIDING TINIAN WITH A NEW 1.0 MW GENERATOR AT A COST OF $284,000, AND WE ARE EXTENDING ROTA'S POWER DISTRIBUTION AT A COST OF $699,000. THE TOTAL CIP BUDGET FOR POWER EXPANSION WAS $1,900,000 IN 1982, $4,000,000 IN 1983, AND IS ESTIMATED AT $1,635,000 IN 1984. NOT ONLY ARE WE STILL PAYING FOR THE NEW POWER PLANT WITH THE THREE 7.2 MW GENERATORS ON SAIPAN, BUT WE STILL OWE $3,300,000 ON THE FOURTH GENERATOR.

LAST YEAR, WE ASKED CONGRESS FOR FINANCIAL ASSISTANCE TO PROCURE AND INSTALL THE FOURTH GENERATOR BUT WE WERE NOT SUCCESSFUL. BECAUSE WE HAVE MADE GREAT PROGRESS IN MEETING OUR INCREASING POWER DEMAND AND BECAUSE OF BOTH OUR DESIRE TO DEVELOP ECONOMICALLY AND SOCIALLY, WE REQUEST THAT CONGRESS ASSIST OUR COMMONWEALTH BY APPROPRIATING AN ADDITIONAL $3,000,000 TO PAY THE BALANCE OWED ON THE FOURTH GENERATOR.

WE ALSO NEED TO REPLACE THE TERMITE-PRONE WOODEN ELECTRIC POWER POLES OF OUR POWER DISTRIBUTION SYSTEM WITH REINFORCED CONCRETE POLES WHICH COULD WITHSTAND TYPHOONS, TERMITE AND ROT ATTACKS, WHICH PRESENTLY CAUSE ELECTRICAL OUTAGES WHICH CAN LAST FOR DAYS. THE REQUIRED FUNDING IS $10,000,000 FOR THREE YEARS, OF WHICH $3,000,000 IS FOR FY 1984.

REGARDING FUEL COSTS, WE HAVE PREVIOUSLY MENTIONED A $2,500,000 DEFICIT IN OUR OPERATION BUDGET. WE SIMPLY CANNOT AFFORD TO CONTINUE PAYING THE EXCESS OF COST OVER INFLATION ADJUSTMENT WHICH AMOUNTED TO $5,000,000 IN 1983. WE HAVE MADE EFFORTS TO PAY HALF OF THIS AMOUNT BY INCREASING USER CHARGES BY 100 PER CENT. HOWEVER, WE BADLY NEED ASSISTANCE TO PAY OUR FUEL BILL WHICH IS EXPECTED TO ESCALATE BEYOND THE AMOUNT WE BUDGETED UNDER OUR GOVERNMENT OPERATIONS. WE WOULD LIKE TO ASK YOU TO AUTHORIZE OUR GOVERNMENT TO UTILIZE CIP FUNDS UNDER P.L. 94-241 FOR THE POWER FUEL COST SHORTFALL.

WE ALSO NEED FINANCIAL ASSISTANCE TO IMPLEMENT INNOVATIVE ALTERNATE ENERGY PROJECTS WHICH COULD EVENTUALLY REDUCE OUR DEPENDENCE ON IMPORTED OIL AS THE PRIMARY ENERGY SOURCE FOR POWER GENERATION. WE PRESENTLY HAVE TWO VIABLE PROJECTS FOR DEVELOPMENT: TREE FARMING FOR GASIFIERS OR STEAM GENERATORS ON ROTA, AND BIOGAS FROM CATTLE WASTES AND PROCESSING RESIDUES ON TINIAN. BOTH PROCESSES ALSO PRODUCE BYPRODUCTS SUCH AS FEED AND FERTILIZER. AN ADDITIONAL FUNDING OF $1,500,000 IS REQUIRED FOR THESE TWO PROJECTS. A U.S. BASED FIRM IS INTERESTED IN PROVIDING OUR ISLANDS ELECTRICITY THROUGH THE USE OF THE ABUNDANT BIOMASS ON OUR ISLANDS. WE WOULD LIKE TO ENCOURAGE AND DO SUPPORT THIS PROPOSAL, BUT WE DO NOT HAVE THE FUNDS FOR THE PROJECT. FURTHER DETAILS ON POWER AND FUEL COSTS, INCLUDING JUSTIFICATION FOR A FIFTH GENERATOR, ARE GIVEN IN ATTACHMENTS #3, #3A AND #3B.

IV. HIGHWAYS

OUR ROAD AND HIGHWAY SYSTEM DATES AS FAR BACK AS THE JAPANESE OCCUPATION OF OUR ISLANDS, WITH A FEW OF THE ROADS BEING IMPROVED BY THE AMERICAN ARMED FORCES AFTER THE WORLD WAR II INVASION IN 1944. IT HAS DETERIORATED SINCE THEN DUE TO A LACK OF MAINTENANCE AND WAS IN A DEPLORABLE STATE OF DISREPAIR WHEN WE BECAME A COMMONWEALTH.

SINCE 1980, WE HAVE BEEN ABLE TO UPGRADE SOME PORTIONS OF THE AIRPORT AND PRIMARY SCENIC BEACH ROADS IN SAIPAN WITH FEDERAL FUNDS AS A PART OF OUR EFFORT TO PROMOTE TOURISM, OUR MAJOR INDUSTRY. MUCH REMAINS TO BE DONE IN ORDER TO COMPLY WITH FEDERAL HIGHWAY STANDARDS FOR SAFETY ON THE IDENTIFIED 87 MILES OF HIGHWAYS ELIGIBLE FOR FEDERAL AID. IF WE RELY ON THE CURRENT LEVEL OF FUNDING IT WILL TAKE NEARLY 200 YEARS TO COMPLETE THE FEDERAL ROAD PROGRAM. WE HOPE THAT WE CAN QUALIFY FOR GRANTS UNDER THE RECENTLY ENACTED JOBS LAW, AND HAVE PREPARED A PLAN TO COMPLETE THE WORK IN 16 YEARS.

IN 1982, WE SPENT $2,000,000 OF OUR CIP FUNDS TO START THE WORK ON AN ALL WEATHER ROAD FROM THE ROTA AIRPORT TO THE VILLAGE OF SONGSONG. FOR 1984 WE HAVE APPROPRIATED ANOTHER $1,890,000 FOR THIS AIRPORT ROAD, $200,000 FOR TINIAN AND $442,000 FOR SAIPAN HIGHWAY CONSTRUCTION. AS THERE IS NO DOUBT THAT A GOOD ROAD SYSTEM IS CRITICAL TO SAFETY AND ECONOMIC DEVELOPMENT, WITH PARTICULAR EMPHASIS ON TOURISM, WE NEED ADDITIONAL FUNDING OF $7,500,000 IN 1984 FOR THIS VITAL INFRASTRUCTURE IMPROVEMENT. DETAILS OF THIS REQUEST ARE GIVEN IN ATTACHMENT #4.

V. HARBOR

AS WITH THE OTHER INFRASTRUCTURE PROJECTS, THE HARBORS OF SAIPAN, TINIAN AND ROTA REQUIRE UPGRADING. WITH CIP FUNDS AND HELP FROM THE U.S. ARMY CORPS OF ENGINEERS, THE HARBORS OF TINIAN AND ROTA HAVE BEEN IMPROVED, BUT THE ONE IN SAIPAN REMAINS A POTENTIAL DANGER TO USERS. THE DESIGN OF NEW HARBOR FACILITIES IS NOW BEING UNDERTAKEN BY THE U.S. ARMY CORPS OF ENGINEERS, AS MANDATED BY CONGRESS IN P.L. 96-597. PHASE I, WHICH INVOLVES EMERGENCY IMPROVEMENT TO THE EXISTING CHARLIE DOCK AND CONSTRUCTION OF A NEW DOCK FACILITY AT BAKER WHARF, SHOULD BE IMPLEMENTED NOW TO MEET THE INTERMEDIATE SHIPPING DEMAND FOR COMMERCIAL AND FISHERY ACTIVITIES, AND ALSO TO PREVENT ANY MAJOR CALAMITY DUE TO THE UNSAFE STRUCTURES. THE ESTIMATED COST IS $15,000,000. DETAILS OF THIS PROJECT ARE GIVEN IN ATTACHMENT #5.

VI. WASTEWATER

WE ARE NOW IMPLEMENTING A SEWERAGE PROJECT IN GARAPAN, THE MOST DENSELY POPULATED AREA OF SAIPAN AND ALSO THE SITE FOR MOST OF OUR HOTELS, WITH CONSTRUCTION GRANT FUNDS OF $2,200,000 FROM U.S. EPA AND LOCAL MATCHING OF 25% FROM OUR CIP FUNDS. THIS IS THE CONTINUATION OF THE BASIC SANITARY SERVICES THAT WE ARE PROVIDING FOR DENSELY POPULATED DISTRICTS, SOME OF THEM IN FLOOD PRONE AREAS WHERE FECAL MATTER FROM PIT LATRINES IS SPREAD ALL OVER THE PLACE BY FLOOD WATER. THE LEVEL OF FUNDING FROM EPA FOR CONSTRUCTION GRANT HAS BEEN INCREASED TO $1,000,000 A YEAR SINCE 1983.

UNFORTUNATELY, ALTHOUGH MAIN SEWER LINES HAVE BEEN BUILT DURING THE PAST FEW YEARS, HOUSE CONNECTIONS HAVE NOT KEPT PACE. FIGURES ARE AS LOW AS 15% IN SOME AREAS. IT IS IMPORTANT THAT WE COMPLEMENT THE WORK BEING DONE UNDER THE EPA CONSTRUCTION GRANT PROGRAM WITH THE CONSTRUCTION OF COLLECTION SEWERS AND LATERALS TO FACILITATE HOUSE CONNECTIONS. THE ADDITIONAL FUNDING REQUESTED IN 1984 IS $1,500,000. DETAILS OF THE WORK ARE GIVEN IN ATTACHMENT #6.

VII. MEDICAL REFERRAL

AS PREVIOUSLY MENTIONED, PRESENT CIRCUMSTANCES REQUIRE THAT PATIENTS WITH CERTAIN TYPES OF MEDICAL PROBLEMS BE REFERRED TO GUAM OR HONOLULU FOR TREATMENT, AT A COST OF OVER $1,500,000 A YEAR. WITH THE OPERATION OF OUR NEW HEALTH CENTER, THE NUMBER OF REFERRALS WILL BE REDUCED, BUT UNTIL THAT TIME WE REQUIRE ADDITIONAL ASSISTANCE OF $1,500,000 TO COPE WITH THIS COSTLY BUT NECESSARY PROBLEM. FURTHER DETAILS ARE GIVEN IN ATTACHMENT #7.

VIII. AMERICAN MEMORIAL PARK

THIS PARK IS A MEMORIAL TO THE AMERICAN SOLDIERS AND CNMI CIVILIANS WHO GAVE THEIR LIVES IN THE NORTHERN MARIANA ISLANDS DURING WORLD WAR II. IN ADDITION, IT WILL SERVE AS A MAJOR ATTRACTION FOR TOURISTS AND RESIDENTS FOR RECREATION AND SPORT ACTIVITIES.

WE ARE REQUESTING AN APPROPRIATION OF $3,000,000, AS AUTHORIZED BY P.L. 96-348, FOR THE DEVELOPMENT OF THE AMERICAN MEMORIAL PARK. THE 133 ACRES REQUIRED FOR THE PARK HAVE BEEN SET ASIDE, AND THE U.S. NATIONAL PARK SERVICE HAS BEEN AUTHORIZED TO PLAN, DEVELOP AND ADMINISTER THE PARK. WE CONSIDER THIS PARK NOT ONLY A MEMORIAL TO THOSE WHO WERE KILLED DURING WORLD WAR II, BUT ALSO ONE WHICH WILL BE A TRIBUTE TO OUR HISTORIAL TIES WITH THE UNITED STATES. DETAILS OF THE PROJECT ARE GIVEN IN ATTACHMENT #8.

IX. TTPI PROPERTIES

LAST YEAR, WE SUBMITTED A LIST OF TTPI RESIDENCES, GOVERNMENT BUILDINGS, AND OTHER FACILITIES LOCATED ON SAIPAN WHICH BECAME THE PROPERTY OF THE CNMI, EVEN THOUGH THE TTPI GOVERNMENT IS STILL OCCUPYING SOME OF THEM. BECAUSE OF THEIR DEPLORABLE CONDITION DUE TO LONG TERM LACK OF MAINTENANCE, WE REQUESTED ADDITIONAL FUNDING OF $1,298,900 FOR THE REPAIR AND REHABILITATION OF THESE PROPERTIES. SUBSEQUENTLY, WE FOUND THAT AN ADDITIONAL 27 RESIDENCES IN CAPITOL HILL AND 8 RESIDENCES AND 19 APARTMENTS IN NAVY HILL ALSO NEED REPAIRS AT A COST OF $147,500.

A SUM OF $1,000,000 WAS APPROPRIATED FOR IMMEDIATE REPAIR AND MAINTENANCE OF THESE PROPERTIES IN FY 1983, AND WORK HAS COMMENCED. FOR FY 1984, WE REQUEST ADDITIONAL FUNDING OF $450,000 TO COMPLETE THE REHABILITATION PROGRAM. DETAILS OF THIS WORK ARE GIVEN IN ATTACHMENT #9.

X. CULTURAL AND PERFORMING ARTS CENTER

THROUGH OUR DEPARTMENT OF COMMUNITY AND CULTURAL AFFAIRS AND OUR COUNCIL FOR ARTS, CREATED PURSUANT TO FEDERAL STATUTE IN OUR COMMONWEALTH, WE HAVE BEEN ACTIVELY INVOLVED IN PROMOTING PACIFIC ISLAND ARTS AND CULTURES INDIGENOUS TO OUR ISLANDS. OUR ACCOMPLISHMENTS, TO DATE, IN IDENTIFYING ARTISTIC TALENTS IN OUR COMMUNITIES, TEACHING OF ARTS IN OUR SCHOOLS, AND SPONSORING OF CULTURAL EVENTS AND ARTISTS FROM THE UNITED STATES HAS INDICATED TO US THE NEED TO PROVIDE A CULTURAL AND PERFORMING ARTS CENTER FOR OUR COMMONWEALTH. WE WOULD LIKE TO REQUEST AUTHORIZATION FROM CONGRESS IN THE AMOUNT OF $800,000 FOR THE FEASIBILITY STUDY AND DESIGN OF A CULTURAL AND PERFORMING ARTS CENTER SO THAT WE MAY BEGIN BASIC PLANNING. A DETAILED JUSTIFICATION DOCUMENT IS SUBMITTED FOR YOUR REVIEW.

CONCLUSION

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, WE HAVE SUBMITTED TO YOU A LONG LIST OF ADDITIONAL FUNDING REQUESTS WHICH THE COMMONWEALTH OF THE NORTHERN MARIANAS CONSIDERS TO BE VITAL TO OUR SOCIAL AND ECONOMIC

DEVELOPMENT. WE HAVE TRIED OUR BEST TO FIND LOCAL FUNDING THROUGH SUBSTANTIAL INCREASES IN UTILITY RATES AND COLLECTION OF NEW TAXES, BUT WE STILL HAVE A LONG WAY TO GO. WITHOUT PROPER INFRASTRUCTURE PROJECTS IN PLACE, WE WILL NEVER BE ABLE TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET OUR FINANCIAL RESPONSIBILITIES AS A SELF-GOVERNING COMMONWEALTH WITHIN THE AMERICAN COMMUNITY.

FY 1984 CAPITAL IMPROVEMENT PROJECTS

REQUIREMENT OF THE NORTHERN MARIANA ISLANDS
IN ORDER OF PRIORITY

	PROJECT		ESTIMATED COST
1.	Medical Center	Saipan	$20,000,000
	Dispensaries	Rota & Tinian	800,000
2.	Water Supply System	Saipan & Rota	5,000,000
3.	Highway Improvement	Saipan	4,000,000
		Rota	2,000,000
4.	Harbor Improvement	Saipan	15,000,000
5.	Power & Fuel Cost	Generators (Saipan)	10,000,000
		Power Distribution Saipan	3,000,000
		Fuel Deficit	2,500,000
		Alternate Energy (Rota & Tinian)	1,500,000
6.	Wastewater System	Saipan & Rota	1,500,000
7.	Medical Referral		1,500,000
8.	American Memorial Park		3,000,000
9.	TT Properties		450,000
10.	Arts & Performance Center		800,000

STATEMENT OF RAYMOND SETIK, SENATOR, FEDERATED STATES OF MICRONESIA

MR. CHARIMAN AND MEMBERS, I AM SENATOR RAYMOND SETIK, CHAIRMAN OF THE COMMITTEE ON WAYS AND MEANS OF THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA. I'D LIKE TO THANK YOU FOR THIS OPPORTUNITY TO HAVE THIS STATEMENT INSERTED INTO THE RECORD. I REGRET THAT THE ORGANIZATIONAL ACTIVITIES OF OUR NEWLY-ELECTED THIRD CONGRESS PREVENT ME FROM APPEARING BEFORE YOU TODAY.

THIS WEEK, ON MAY 10, OUR PEOPLE CELEBRATE THE FOURTH ANNIVERSARY OF OUR CONSTITUTIONAL NATIONAL GOVERNMENT. WITH THE ASSISTANCE OF THE UNITED STATES, WE HAVE MADE GREAT STRIDES IN SELF-GOVERNMENT AND CONTINUE TO WORK TOWARD THE IMPROVEMENT OF BASIC SERVICES TO OUR CITIZENS AND OUR LONG-TERM GOAL OF ECONOMIC DEVELOPMENT. OUR PROGRESS TOWARDS THAT FIRST GOAL, HOWEVER, IS LIMITED BY THE SIZE OF OUR OPERATIONS GRANT, ESPECIALLY IN THE SOCIAL SERVICES AREA. I STRENUOUSLY URGE THAT YOU DO NOT FURTHER REDUCE THE ADMINISTRATION'S REQUEST FOR $36.9 MILLION FOR THE OPERATIONS OF THE FEDERATED STATES OF MICRONESIA'S GOVERNMENTS. THIS YEAR, THE FSM WAS REQUESTED BY THE DEPARTMENT OF THE INTERIOR TO PREPARE AN "ACTUAL NEEDS" OPERATIONS BUDGET. THIS BUDGET WAS THEN REDUCED BY THE DEPARTMENT TO FIT WITHIN THE DEPARTMENT'S OWN BUDGETARY PRIORITIES. BECAUSE OF THIS REDUCTION, WE ARE REQUESTING THAT FUNDING TO MEET OUR ACTUAL SOCIAL SERVICE NEEDS BE RESTORED.

OUR GOAL OF ECONOMIC DEVELOPMENT WILL, OF COURSE, BE GREATLY ASSISTED BY THE RESOURCES PROVIDED IN THE COMPACT OF FREE ASSOCIATION. THE COMPACT WAS NEGOTIATED BY THE FSM WITH THE ASSUMPTION THAT THE FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM WOULD BE COMPLETED BY THE TIME WE ENTERED INTO THE COMPACT PERIOD. HOWEVER, THE PROGRAM, NOW IN ITS EIGHTH YEAR, STILL REMAINS UNFINISHED. TO FULFILL THE ORIGINAL COMMITMENT WILL ADMITTEDLY REQUIRE A SUBSTANTIAL SUM OF MONEY, YET THERE NUMEROUS PROJECTS WHICH MUST BE IN PLACE IF THE FEDERATED STATES OF MICRONESIA IS TO ENTER INTO THE COMPACT PERIOD WITH THE NECESSARY AND REALISTIC CAPITAL INFRASTRUCTURE. OUR REQUEST, WHICH IS BROKEN INTO PARTS TO REFLECT OUR ABSORPTIVE CAPACITY AND BUDGETARY REALITIES, MERITS SERIOUS CONSIDERATION. I WOULD ASK THAT SPECIAL CON-

SIDERATION BE GIVEN TO THE CONSTRUCTION OF THE AIRSTRIP IN THE LOWER MORTLOCK ISLANDS OF TRUK STATE. A DETAILED JUSTIFICATION IS APPENDED TO MY STATEMENT.

LAST YEAR THE DEPARTMENT OF THE INTERIOR COMMITTED ITSELF TO THE ESTABLISHMENT OF A COMPUTERIZED FINANCIAL MANAGEMENT SYSTEM IN THE FEDERATED STATES OF MICRONESIA, FUNDED BY THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS' TECHNICAL ASSISTANCE BUDGET. WE ARE GRATIFIED FOR THIS SUPPORT AS WE AGREE THAT A FUNCTIONING FINANCIAL MANAGEMENT SYSTEM IS ESSENTIAL FOR MANAGING AND ACCOUNTING FOR OUR FINANCES TODAY AND DURING THE COMPACT PERIOD. HOWEVER, THE SUM REQUESTED BY THE DEPARTMENT IN FISCAL YEAR 1984 WILL NOT BE SUFFICIENT TO ESTABLISH THE SYSTEM IN EACH OF OUR FOUR STATES. WE FEEL THAT IT MAKES LITTLE SENSE TO INSTALL AN INCOMPLETE COMPUTER SYSTEM AND THEREFORE REQUEST THAT THE ENTIRE SYSTEM BE FUNDED.

ANOTHER COMMITMENT OF THE UNITED STATES TO THE FEDERATED STATES OF MICRONESIA, MADE IN 1977 BY AMBASSADOR HAYDN WILLIAMS AND REAFFIRMED BY INTERIOR ASSISTANT SECRETARY PEDRO SANJUAN, IS TO FUND THE CONSTRUCTION OF OUR NATIONAL CAPITOL. WE URGE THAT THE $7 MILLION REQUESTED BY THE DEPARTMENT OF THE INTERIOR FOR THE CONSTRUCTION OF OUR NATIONAL CAPITOL IN PALIKIR, PONAPE BE FUNDED. OURS IS THE ONLY GOVERNMENT IN THE TRUST TERRITORY WITHOUT ITS OWN QUARTERS. BESIDES THE INCONVENIENCE OF OPERATING OUT OF INADEQUATE AND TEMPORARY BUILDINGS, THE NEW CAPITOL WILL PROVIDE A MUCH NEEDED FOCUS FOR A NATION-BUILDING IDENTITY.

IN 1968, THE TRUST TERRITORY OF THE PACIFIC ISLANDS GOVERNMENT ESTABLISHED A BENEFITS PROGRAM FOR PERSONS WHO WORKED

FOR THAT GOVERNMENT OR THE U.S. NAVY PRIOR TO 1968. THESE BENEFITS ARE AN OBLIGATION OF THE U.S. GOVERNMENT FOR SERVICE RENDERED TO IT. WE HAVE BEEN ADVISED BY THE DEPARTMENT OF THE INTERIOR THAT IT NO LONGER CONSIDERS THIS A U.S. COMMITMENT TO THOSE INDIVIDUALS UPON TERMINATION OF THE TRUSTEESHIP. WE ARE REQUESTING A COMMITMENT BY THE UNITED STATES TO FUND ITS LIABILITY TO THOSE INDIVIDUALS TO WHOM BENEFITS HAVE BEEN PROMISED FROM THIS U.S.-ESTABLISHED PROGRAM. WE BELIEVE THAT THIS OBLIGATION OF THE UNITED STATES MUST BE FULFILLED.

YOU HAVE HEARD FROM TRUK STATE GOVERNOR ATEN. I, TOO, AM A RESIDENT OF TRUK AND AM PERSONALLY ACQUAINTED WITH THE TRAGEDY OF THE EPIDEMIC OF CHOLERA IN MY HOME STATE. BESIDES THE HEARTBREAK OF LOSING FRIENDS AND RELATIVES TO THIS DISEASE, ECONOMIC ACTIVITY IN THE STATE HAS BEEN SLOWED. THE REQUESTED CHOLERA CONTROL PROGRAM THE GOVERNOR HAS OUTLINED WILL HELP US TURN THE TIDE AND MAKE TRUK A HEALTHY AND ATTRACTIVE STATE ONCE AGAIN.

WE SHALL SOON ENTER INTO THE COMPACT OF FREE ASSOCIATION. IT IS ESSENTIAL THAT FOR THE COMPACT TO BE SUCCESSFUL THE FEDERATED STATES OF MICRONESIA START WITH A COMPLETE AND FUNCTIONING BASIC CAPITAL INFRASTRUCTURE, A WORKING FINANCIAL MANAGEMENT SYSTEM, AND AN EPIDEMIC DISEASE-FREE POPULACE. WE HOPE TO ENTER INTO THE COMPACT SOON AND NEED YOUR SUPPORT TO MAKE THIS UNIQUE RELATIONSHIP WITH THE UNITED STATES A SUCCESS.

FY 1984
FEDERATED STATES OF MICRONESIA

PROJECT TITLE:	Ta Airstrip
FY 1984 FUNDING REQUEST:	$1,231,000
PROJECT LOCATION:	Lower Mortlocks, Truk, FSM

Need

Identified as a part of the state's five-year plan, the funding request is for the construction of an airstrip to serve the 5,700 people of the Mortlock Islands of Truk State. The Mortlocks are located about 170 nautical miles south of Moen, the state capital. The only available transportation service presently available is the field trip ship, which arrives about once a month on an irregular service shedule. The field trip ship is not a reliable means of medical evacuation, search and rescue, or transportation to the commercial and government center.

Description

Preliminary specifications for a 2,000' by 60' runway on the southern end of Satawan Atoll at Ta Island have been prepared. The recommended siting minimizes adverse impacts on local residents, trees, and housing and utilizes the best available wind data. Fill will consist of locally available coralline sands and aggregates. Pavement will also be of coral. A swale drainage system is included in the preliminary specifications which will retain water. Further extension of the length and width of the airstrip is possible. Project design and inspections costs are included in the funding request.

Benefits

The airstrip will provide to the isolated Mortlock Islands medical evacuations, mail and limited cargo service, search and rescue capabilities, and intra-state travel. Additionally, the drainage system will provide fresh water.

Cost of Completion

FY 1984 Funding.....$1,231,000

Federated States of Micronesia Budget Request

Introduction

This document sets forth the FY 1983 and FY 1984 budget requests of the Federated States of Micronesia (FSM). Emphasis is on the funding needed by the Federated States over and above the funding requested by the Department of Interior. This additional funding is needed to address current problems of epidemic disease, insufficient operations funding for public works and health programs and lack of adequate financial management capability. The additional funding is also needed to support on-going construction of capital improvements within the Federated States, and for additional construction of capital improvements that are necessary to form the basic infrastructure within the state centers.

The budget request package is divided into 5 parts.

Part 1 presents a description of the background of the budget requests and summarizes the programs and projects being requested for funding. For FY 1983, $8.553 million supplemental funding is requested, including a critical $5.135 million for control of cholera. For FY 1984, $19.37 million in add-ons is requested.

Part 2 describes the FSM position on the five-year Capital Improvement Program. Both the FY 1983 and FY 1984 requests referenced above include requests for funding for the most top priority and urgently needed capital improvement projects. In addition to these immediate and near-term needs, the FSM requests a comprehensive examination of the status of the Program by the U.S. Congress and proposes a set of projects that fairly represent what is needed for completion of the intent of the five-year CIP.

Part 3 describes the FSM position on the requests included in the Department of Interior FY 1984 budget submission to the U.S. Congress.

Part 4 presents detailed justification in the form of capability statements for the non-CIP programs for which funding is requested.

PART 5 represents detailed justfifications, in the form of capability statements for the CIP projects for which funding is requested.

PART 1, BACKGROUND AND SUMMARY

The budget requests contained in this document must be seen against the backdrop of the transition in which the Federated States is currently involved. The Trust Territory of the Pacific Islands, as set up to be administered by the United States, was supposed to have encouraged transition from its beginning in 1947. Substantial development of infrastructure began to be funded in 1971. Development of indigenous political capability began in 1964. The constitutional government of the Federated States was established in 1979 and is now on a trajectory that could result in termination of the Trusteeship by the beginning of FY 1985. The Trusteeship agreement will be replaced by a Compact of Free Association with the U.S., with the latter explicitly providing for economic development in the Federated States.

A. To date, FSM policy has had to balance the need for continued and improved provision of basic social services against the need for funding for economic development. Eighty-five to ninety percent of direct operations funding has gone into the basic service areas: health, education, public works, public safety, and public transportation and communication. Even with the great share of funding going to these areas, numerous shortfalls exist. There is little outreach of services to non-urban areas. Where provided, the quality of services is often low. The successful provision of even a basic level of service has been made more difficult, and in some cases ruled out, by the geographic distribution of the target populations, poor pre-existing levels of service, an inadequate and deteriorating physical plant and a shortage of technologically-trained service workers and managers.

For FY 1984, $3.1 million is requested as an add-on to operations funding. The FY 1983 operations funding level of $37.842 million was decreased by $1.6 million in the FY 1984 DOI request. It is requested that this $1.6 million be added into the FY 1984 appropriation, to be used for public works operations. An additional $1.5 million is requested for add-on for FY 1984 to be used to fund health education, specialized personnel and medical referral programs for all FSM states.

In addition to the $3.1 million requested as an add-on for FY 1984, $970,000 is requested for FY 1984 to enable two FSM states, Truk and Kosrae, to purchase used heavy road construction equipment from demobilizing OICC/CIP contractors. Purchase of this equipment is economical because prices are relatively low and equipment is already on-island. Availability of the road equipment will be of great assistance to the state public works units in maintenance efforts.

B. While government operations have been constrained from initiating economic activity, economic activity and social development have been constrained by the inadequacy of the capital infrastructure existing within the Federated States. The five-year TTPI Capital Improvement Program, beginning in 1976 eventually set up 31 separate infrastructure construction projects in the FSM. Funding for these projects has fluctuated since 1976 due to a complex set of revisions of engineering designs of projects and revisions of priorities.

The FY 1983 United States appropriation of $13.950 million for capital improvement construction, and the FY 1984 DOI request for an additional $7.5 million in capital improvement funds, will allow for the completion of a substantial increment of capital improvement projects yet to be completed under the current effort. However, there is still a substantial set of capital improvement projects or portions of projects that will require funding if the FSM is to end the Trusteeship period possessing a basic set of water, sewer, electrical and transportation and other facilities, as was the intent of the five-year CIP. This budget document specifically requests funding for $18.718 million, for eleven projects. The remaining projects needing funding to complete the five-year CIP are referenced. Of the $18.718 million requested, $3.418 million is urgently needed in FY 1983, for ongoing projects. These ongoing projects are as follows:

Kosrae airport paving/land fill	$1.5 million
Ponape circumferential road construction	.850
Ponape electrical distribution upgrade	.100
Truk electrical distribution upgrade	.968
Subtotal	$3.418 million

A capability statement is included for each of these projects in PART 5 of this document. Briefly, these funds are needed in Kosrae to fully fund airport paving and pulloff areas necessary for FAA certification and the provision of enough land to adequately site the terminal; in Ponape to allow continued road construction on the vital circumferential road and to fund the electrical substations necessary to energize the 32 miles of rural line already constructed; in Truk to complete the electrical system stopped due to lack of funds. These projects can effectively utilize these funds immediately upon appropriation.

The $15.3 million requested for capital improvements for FY 1984 is for the 7 most important projects among these considered necessary for completion of the intent of the five-year CIP. These projects are as follows and are in addition to the projects requested in the DOI FY 1984 budget:

Kosrae sewer system upgrade	$1.5 mil.
Truk water system upgrade	2.9
Ponape electrical generation upgrade	1.5
Yap water system upgrade	0.750
Kosrae water system upgrade	0.500
Ponape circumferential road construction	5.15
Capital improvements design fund	3.0
subtotal	$15.3 mil.

Justification for these projects is included in PARTs 2 and 5 of this document.

C. The cholera epidemic that has put Truk State and FSM on an emergency footing since August of last year is sober evidence of the way in which inadequate infrastructure and insufficient operations funding interact to produce further problems. Clear evidence has been provided that the spread of the infection is related to unsanitary conditions associated with lack of proper water systems and sewer systems. Inadequate educational mechanisms have also contributed to the problem. The ability of the government to deal with the critical problem has been hampered by constraints on operating budgets.

Emergency efforts to control cholera to date have utilized sources of funds, as follows:

HUD Grant	$300,000	(equipment purchase, transport, staff)
FY 1983 U.S. Congress	1,600,000	(building materials, administration and operations costs)
EPA Grant	550,000	(equipment & materials purchase, staff)

These funds supported the first steps in FY 1982 and early FY 1983 to stabilize the health situation in Truk State, chiefly by burying waste, installing water seal toilets and fiberglass water catchments, chemically treating water sources and dispensing medicine, medical supplies and treatment and for health education. In addition, a contract between Truk State and the University of Guam has been executed for the purpose of building 150 solar powered pumping systems. Finally, materials for the ferro-cement water catchments have been ordered. A

capability statement for the Cholera Eradication Program is part of the formal statement included in PART 4 of this document. A synopsis of first year funding is as follows:

Rural Sanitation Systems	$2.0 mil
Rural Water Systems	1.825
Medical	1.010
Education and Technical Assistance	.300
Subtotal	$5.135 mil.

D. In addition to operations and capital improvements, and epidemic disease control, the Federated States must also concern itself with the new responsibilities it takes on with the Compact of Free Association, and with phase-out of functions formerly administered by the United States. The new responsibilities of the Federated States will be taken on using funding contained in the Compact. However, certain functions must be fully set up and working smoothly by the termination of the Trusteeship. The key function of this type is that of a working, computerized financial management system. Last year the FSM requested supplemental funds for FY 1982 and FY 1983 for a two-phase project that would have resulted in an up-and-running computerized financial management system in the FSM by the middle of FY 1984. The request referenced a coordinated, decentralized system, with one computer installation in each of the four FSM states. The existence of this coordinated, decentralized system is critical if FSM is to have fully adequate financial management capability when the Trusteeship terminates. The DOI Office of Territorial and International Affairs, in lieu of direct funding to FSM for funding the system, committed itself to fund the system and specifically committed FY 1983 technical assistance funding for installation of the Ponape/FSM National Government site. This installation is scheduled for June. However, further funding for the other three sites comprising the FSM system does not appear to be available in FY 1983 or requested in sufficient amount for FY 1984 by DOI. The FSM is extremely concerned that the end of FY 1984 will not see the completion of the four-site installation and seeks re-affirmation of the DOI commitment. If this commitment is not forthcoming, the FSM requests direct FY 1984 funding to install the three financial management system sites remaining.

A second issue involves funding for payment of prior service benefits for Trust Territory government employees. This issue revolves around the extent of United States liability for employee benefits incurred in the operation of the Trust Territory. The FSM requests that the United States Government initiate discussion to determine the extent of its liability and to insure that funding for this program will continue beyond termination of the Trusteeship.

In summary, with the FY 1983 and FY 1984 budget requests contained in this document, the FSM is attempting to meet the following objectives:

1. adequately fund operations, especially for public works and health and purchase needed heavy equipment;
2. eradicate cholera;
3. obtain support for highest priority capital improvement construction and to complete the intent of the five-year Capital Improvement Program;
4. obtain United States commitment to fund certain functions which must be in place prior to termination of the Trusteeship, especially, the financial management system.

The FSM FY 1983 and FY 1984 budget requests over the DOI request for FSM are as follows:

SUMMARY

FY 1983 Request

1. FY 1983 funding for Cholera Eradication Program---------- $5.135 mil.
2. FY 1983 funding for in-process, immediate-need Capital Improvement Projects---------- 3.418 mil.

Kosrae airport paving/land fill----------	$1.5 mil.
Ponape circumferential road construction----------	.850
Ponape electrical distribution upgrade----------	.100
Truk electrical distribution upgrade----------	.968
Subtotal -FY 1983 Request	8.553

FY 1984 Request

1. FY 1984 funding for 3 computerized financial management installations---------- funding to Office of Territorial Affairs, DOI

2. FY 1984 funding to restore FY 1983 decrease of $1.6 million, for support of public works operations and $1.5 million in additional funding to fund health education, specialized personnel and medical referral needs---------- $3.1 mil.

3. FY 1983 funding for purchase of used heavy equipment from demobilizing contractors----------.$970 million.

4. FY 1984 funding for FSM top priority capital improvement construction---------- $15.3 million.

Kosrae sewer system upgrade----------	$1.5 mil.
Truk water system upgrade----------	2.9
Ponape electrical generation upgrade----------	1.5
Yap water system upgrade----------	0.750
Kosrae water system upgrade----------	0.500
Ponape circumferential road construction--------	5.15
Capital Improvements design fund----------	3.0

5. Capital improvement construction to complete the intent of the Capital Improvement Program (See PARTs 2 and 5 of this document).

6. Resolution of liability for prior services.

Subtotal - FY 1984 request (excluding CIP completion and prior service) $19.37 million.

PART 2, FSM POSITION ON FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

In this PART, the FSM requests funding in the amount of $3.418 million for FY 1983 and $15.3 million for FY 1984 for continued and additional capital improvement projects. In addition, the FSM wishes to advance a comprehensive approach to the review of the CIP and to reference the total project funding needed to complete the intent of the five-year CIP.

The comprehensive approach to the review of the Capital Improvement Program being taken by the Federated States of Micronesia is one which is very necessary at this time. It is the position of the Federated States of Micronesia that the National Government can no longer assume that the Navy OICC can perform the task of supervising the completion of the CIP with the limited assistance and direction provided by the Trust Territory given their reduced capabilities. The Federated States of Micronesia is further of the position that our role must be one of leadership and shared administration of the outstanding projects, if they are to be completed within a reasonable period of time. It is not the desire of the Federated States to return year after year to the U.S. Congress to request funds to complete a 5-year program which is now 8 years old. Rather, it is the position of the Federated States that the U.S. Congress and the Department of Interior must work together with the Federated States to insure that the intent of the Capital Improvement Program is fulfilled.

Toward this end the Federated States of Micronesia is actively working to achieve two objectives: first, set the parameters for the funding commitment for the completion of the Capital Improvement Program prior to the dissolution of the Trust Territory based on this comprehensive review. This comprehensive review of what is actually going to be required to complete the basic infrastructure is the first prepared since 1981. It is imperative that an understanding be reached regarding these projects, and it cannot be done unless the U.S. Congress is aware of the total need. The Federated States of Micronesia would welcome the opportunity to review with members of Congress or their staffs the actual infrastructure being built should schedules permit prior to the finalization of the FY 1984 budget. The Federated States believes that a first hand review on the part of members of Congress or their staffs will serve a unifying purpose as we all move to fulfill our respective obligations. Second, to respond positively to a Trust Territory proposal which will alow the Federated States to assume administrative responsibility for the completion of certain projects which are not currently under the supervision of the Navy OICC. The terms of this agreement, the staffing levels required are being negotiated at this time.

This agreement will allow for an expanded degree of cooperation. It has mutual benefits in that it allows for a reduced workload for a reduced staff at the Trust Territory offices as they attempt to phase out; it will allow the Federated States to assume control of major projects at a time when a capacity to do so has been reached, and also at a time when technical and administrative resources are still relatively close at hand.

A comprehensive review of the programs projects by category is provided such that a clear understanding may be achieved regarding the work remaining to be completed. (Please see TABLE I on the following page and a review of the categories which follow).

TABLE I

(In Thousand of Dollars)

CATEGORY	FSM SUPP. FY 1983	DOI FY 1984	ADD-ON FY 1984	OTHER FSM FUNDING NEEDED	TOTAL	% TOTAL
Design Fund	-	-	3,000	-	3,000	4.5
Water	-	5,100	4,150	1,500	10,750	16.0
Sewer	-	-	1,500	7,950	9,450	14.0
Roads	850	-	5,150	12,050	18,050	26.8
Electrical	1,068	-	1,500	5,150	7,718	11.5
Airports	1,500	2,400	-	6,700	10,600	15.8
Docks	-	-	-	6,500	6,500	9.7
Marine Resource	-	-	-	500	500	.7
Staff Housing	-	-	-	700	700	1.0
TOTALS	3,418	7,500	15,300	41,040	67,268	100.0

Note: The total amount does not include the cost of the FSM Capital relocation, currently estimated at 22 to 23 million dollars. It also does not include the 5.135 million dollars being requested as the first full year budget necessary to continue the "Cholera" eradication program in Truk State. These are considered to be special requests and obligations and as such are submitted outside the framework of the CIP.

Design Fund: The Federated States of Micronesia requests an amount of $3,000,000 to establish a fund which may be used to fund the design of a variety of CIP

projects. For example these monies may be utilized to design airport terminals, bridges, and sewer sytems on Ponape, Phase III of the Souther Yap Water System, sewer and water systems on Moen Island in Truk State and other primary projects where design or design modification are required in order to complete the CIP program efficiently and satisfactorily. A specific amount would be set aside for use by the States on a competitive, priority basis for the advance design of selected projects in order to facilitate implementation schedules. The National government would administer the entire fund with the premise that CIP projects come first and the cost of designing other projects would be done on a shared basis in order to leverage the value of the fund.

Water: The Federated States of Micronesia submits the amount of $10,750,000 as the funding required to complete the basic water systems encompassed within the intent of the original scope of the program.

This amount includes funds which will allow the National government to purchase well drilling equipment which can be leased to the various States. The drilling of wells is an on-going effort in 3 of the 4 States and will soon be utilized in all 4 States. This is one aspect or set of tasks which the Federated States can assume under the agreement being negotiated between FSM and TT.

Water projects are on-going or planned in all 4 States. Three States are proposed as receipients of funds under the DOI FY 1984 budget. The FSM requests that the following projects be added to the DOI requests: 1) that $750,000 be added to the request for Yap State, 2) $500,000 be added to the request for the State of Kosrae, 3) $2.9 million be added to the DOI request for water systems in Truk.

Sewer: The Federated States of Micronesia finds it an unfortunate circumstance when in the middle of the Cholear epidemic in the most populous of the States, there is no money in the DOI FY 1984 budget for Sewers. Apart from the "Cholera" request to be submitted at this time, the FSM seeks an acknowledgement from DOI that the central sewer system on Moen must be

completed. The Federated States of Micronesia has identified the sum of $2 million as necessary for this task.

The State of Ponape urgently needs to reroute its sewer outfall from a sheltered lagoon area to an ocean outfall before a major pollution/health problem erupts. Further, Ponape must cause the hookup of a significant majority of households in Kolonia, through a continuation of its house sewer connection program. If this is not done, the population of the Kolonia area, which is approaching 7,000 will not be safe from a significant threat by water borne disease.

The innovative sanitary system being proposed for Kosrae State by the World Health Organization (WHO) requires an $1.5 million in additional funds as the $1.0 million available through EPA is not sufficient. The system desired by and acceptable to the State is estimated at $2.5 million. The original cost for the high technology system was over $7 million dollars. Kosrae, which has continually borne the brunt of reduced funding and reprogramming of available funds, needs these dollars.

Yap State needs an additional $1.950 million to develop sewerage systems outside Colonia which cannot be connected to the centralized collection system.

Roads: The remaining road work under the Capital Improvement Program appears to be significant until it is understood that a majority of the work is to be done in two of the four States. On Ponape, four major bridges need to be built and 10.28 miles of road need to be constructed to complete the vital circumferential road. Additionally, a "County Standard" paved road needs to be built from Kolonia to the FSM Capital site. This section of road is six miles long and will require a 22 to 24 foot paved width and 3 inch pavement thickness. Kosrae, which has some available funds, needs additional funding to complete a total of 24 miles of primary road. Truk and Yap both require smaller amounts to complete their basic road networks. It would be most opportune if these States would be funded in FY 1984 as the FY 1983 funds are in place and a larger bid package could be offered.

Electrical: Truk State requires an amount of$968,000 to complete its original scope. Ponape State which has 32 miles of electrical line not energized has just received $60,000 worth of transformers and power drop lines. $300,000 allocated by FY 1983 is being rushed through the financial system so additional transformers and materials can be ordered. An additional $100,000 for substations identified in the original studies needs to be funded as soon as possible in order that the highly specialized work of installing this equipment can be completed in one operation. These two amounts are requested as supplemental FY 1983 appropriations. A key project is the hydroelectric plant for which $5,150,000 is requested. It is desirable to have this amount programmed in FY 1984 if at all possible. The remaining electrical project is the purchase and installation of two low speed generators to replace three 500 KW units which must be retired.

Airports: The Federated States of Micronesia is grateful for the inclusion of $2.4 million by DOI for Airport Terminals and the further support TT is rendering on our behalf with FAA for supplementing public area and safety funding. Of most critical concern to the FSM is the need to have $1.5 million appropriated to Kosrae State to fully fund its airport. The remaining FSM requests are to return to scope of the Yap airfield and the provision of funds for the Truk airport warehouse.

Docks: $6,000,000 is requested for the two facilities in Yap State which have never been adequately funded. The Kosrae facility which sits on an exposed and open reef needs a warehouse to protect goods until they can be loaded or transferred to shore.

Marine Resources: This project located on Ponape was originally funded at $1.347 million in two different fiscal years and has suffered from drastic reprogrammings on both occasions. A minimum level of filling has taken place, however, much more is needed before the dock can be built.

Staff Housing: Both Yap and Kosrae States inherited limited and dilapitated housing from the TT several years ago. In fact, Yap has condemned an 8 unit

apartment building. The FSM asks only that a minimum level of funding be provided such that suitable housing can be built for the doctors and engineers they must recruit. The requested amount is $700,000 for 20 houses.

PART 3, FSM POSITION ON FY 1984 DOI REQUESTS

1. Operations: The $36.9 million contained in the DOI FY 1984 budget for FSM is not sufficient for the operational needs anticipated for FY 1984. An additional $3.1 million is requested for funding public works operations and health education, specialized personnel and referrals.

2. Administration of Territories: The $900,000 included in the DOI-OTIA FY 1984 budget for Territorial Administration for "technical assistance in the areas of financial management, economic and capital development" is not sufficient to fund the three FSM financial management system sites, even if no funding is devoted to "economic and capital development".

3. Capital Relocation: Contained within the FY 1984 budget is the amount of $7,000,000. This amount represents 46% of the $15,000,000 shown by DOI as the "U.S. Government Commitment". However, the current estimated cost is 22-23 million dollars. The $7,000,000 represents only 30% of the estimated cost. The architects and engineers have been selected and a contract will soon be executed. It is now necessary to know the extent of the "U.S. Government Commitment" and the proposed phasing of the funding. The Federated States of Micronesia is most appreciative of the funding provided to date and the proposed FY 1984 funding level and sincerely hopes that will be approved.

4. Operations and Maintenance: In FY 1983 the Federated States of Micronesia was allocated $5,351,000 for the purpose of establishing an overall operations and maintenance program. The FSM National Office of Planning and Statistics is currently coordinating the development of the individual State plans for submittal to the Trust Territory. The Federated States of Micronesia supports the request for $3,000,000 for the FY 1984 appropriation.

5. Telecommunications: The FY 1984 DOI request for telecommunications is for $1.0 million for the rental of satellite earth stations. The system is of great potential advantage to the FSM but is currently not supported by a fully operational telephone and switching system for voice and record. Additional system build-up is needed.

PART 4, CAPABILITY STATEMENTS FOR NON-CIP PROGRAMS AND PROJECTS REQUESTED

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Administration of Territories or Federated States of Micronesia

Proposed Amendment: Sufficient funding for 3 financial management sites

Current Program: The DOI Office of Territorial and International Affairs committed itself in August, 1982 to fund the FSM 4-site computerized financial mangement system using technical assistance funding. Set-up of the system was to include acquisition of computer hardware and software, installation and training. One site, in the Republic of Palau, was set-up in 1983, at an estimated cost of $450,000-550,000. Installation of the first FSM site for Ponape/FSM National Government use, is scheduled for June, 1983.

Amount Budgeted for FY 1984: The DOI FY 1984 budget requests $900,000 under Administration of Territories for "financial management, economic and capital development".

Feasibility: The $900,000 in the DOI budget is not sufficient to fund the financial management system sites for the FSM States of Truk, Yap and Kosrae in FY 1984, and also take account of sites for other TTPI entities.

The installation of all four FSM sites is critical if FSM is to have the coordinated system necessary for financial management in a federation. Once the four system sites are up-and-running, additional time will be needed for training of financial personnel and for "shake-down". The training is critical because of the anticipated termination of the Trusteeship by FY 1985. In addition, according to a recent amendment to the Omnibus Act, the FSM President must submit financial reports prepared in accordance with governmental accounting standards to the United States Government starting in FY 1983. This responsibility is extremely difficult to discharge without an adequate financial management system.

As such, the FSM seeks a commitment from OTIA that the 3 FSM systems sites will be installed in FY 1984. Failing that, the FSM requests direct supplemental appropriation of sufficient funding to install the sites.

Capability: The request would increase the DOI request from $900,000 to $1.5 million.

Outlay Effect: The request is for FY 1984 and will allow installation of the 3 remaining FSM sites in FY 1984.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Cholera Control/Prevention in Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: For Truk Cholera Eradication Program (CEP) $5.135 million is requested for FY 1984

Current Program: In the 5½ months between August 1, 1983 and in the middle of February, 1983, approximately 2,164 suspected cases of cholera have been identified within the islands of Truk State within the Federated States of Micronesia. Seventeen deaths during this period are suspected to be cholera related, of which four have been bacteriologically confirmed. Clear evidence has been provided that the spread of the infection is related to unsanitary conditions. Efforts to control cholera to date have utilized sources of funds, as follows, with their chief uses:

HUD Grant	$ 300,000	(equipment purchase, transport, staff)
FY 1983 U.S. Congress	$1,600,000	(building materials)
EPA Grant	$ 550,000	(equipment & materials purchase, staff)

These funds supported the first steps in FY 1982 and early FY 1983 to normalize the health situation in Truk State, chiefly by burying waste, building temporary toilet facilities, chemically treating water sources and dispensing medicine, medical supplies and treatment.

Accomplishments since the Emergency Declaration.
(Source: Truk Gov. Office)

* 1,000 Water seal toilets in place
* 500 Fiberglass water ctachments in place
* Solar pumping contract with U. of Guam signed
* Materials for concrete catchments ordered.

Amount Budgeted FY 1984: The FY 1984 Administration Budget contains $2.0 million for water system improvements, including production of 14 new wells and expansion of the collection and distribution system. This funding will improve conditions in the central lagoon island of Moen, and provided for limited improvement of the distribution system on Dublon.

Feasibility: The requested increase of $5,135,000 will initiate the first substantial cholera control efforts in the outer islands of Truk State, and the non-central islands of the lagoon areas with 69% of the population.

Funding will provide for a basic set of accessible, appropriate scale sanitary and water systems, including

water seal or composting toilets, community sanitary cores, solar-powered water pump units, and ferro-cement water catchment and storage tanks. The funding will also provide one doctor and lab technician along with requisite equipment to be assigned to both outer-island and in-lagoon service. A further program component will provide public education and technical assistance in maintenance of equipment and to expedite change of culturally ingrained habits.

The combination of the equipment, medical service and education/technical assistance will meet the key need in Truk for quick diminution of disease-conducive areas and habits.

Capability: The first year funding budget will consist of the following categories:

	(IN THOUSANDS OF DOLLARS)
A. Water seal or composting toilets	400
B. Community sanitary cores	1,600
C. Water catchment tanks	1,600
D. Solar powered water pumping systems	225
E. Doctor and Lab Technician (2 year term)	160
F. Medicine, supplies, field Lab Equipment	850
G. Education and Technical Assistance	300
TOTAL	$5,135

Future year budget requirements will increase the number of water seal/composting toilets and water tanks and continue the public education/technical assistance effort. Project will terminate after an estimated 3 years.

This funding contained in this request is concentrated on controlling cholera in the outer-islands and non-central lagoon islands. For the central lagoon islands a set of water systems and one sewer system is being requested as CIP projects for FY 1984.

Outlay Effect: The money will be obligated in FY '84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: National Government: Federated States of Micronesia

Proposed Amendment: $3,100,000 Add-on for operations of government

Current Program: The FY 1983 appropriation for FSM operations was for $37.842 million. The public works function for FY 1983 was budgeted at $8.355 million. Health, including health education and referrals was budgeted for $7.648 million.

Amount Budgeted FY 1984:
The FY 1984 DOI budget for FSM is for $36.9 million, a decrease of $942,000 below the FY 1983 level of funding. Within the FY 1984 figure, $7.074 million is budgeted for public works and $6.933 million is budgeted for health, decreases of $1.261 million and $715,000 respectively.

Feasibility: The FSM request is for an additional $1.6 million for public works activities and an addtiional $1.5 million for health, particularly for health education specialized health personnel and medical referrals. In a no-ceiling budget for FY 1984 public works needs were specified at $13.701 million. Health needs were specified at $8.194 million. Both areas are at a stage where demand for services outstrips what can reasonably be provided. The objective is to build up public works electrical generation and distribution skills,POL, and inventory and to intensify health education efforts and to support medical referrals to outside-FSM health facilities.

Capability: The request increases the proposed appropriation from $36.9 million to $40 million.

Outlay Effect: The request is for FY 1984, and outlay will be made as funds for operations are apportioned.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Administration of Territories

Proposed Amendment: Sufficient funding to provide for payment of prior service benefits to ex-Trust Territory employees

Current Program: In 1966, Robert J. Myers, Chief Actuary of the U.S. Social Security Administration, issued a report as a consultant to the Trust Territory Government. The report proposed a Social Security Program which included a supplementary benefit program, known as Prior Service, for long standing employees of the Trust Territory Government. High Commissioner William R. Norwood transmitted a bill to create a Social Security System for the Trust Territory in 1967. The bill contained provisions for a supplemental retirement system which would be funded "from general funds appropriated for the operation of the Trust Territory Government..."

The bill became law later that same year and took effect on July 1, 1968. Since that time, funding for prior service benefits has been requested in the annual budget of the Trust Territory Government and subsequently provided by U.S. Congressional appropriation.

Since 1969, approximately 1.3 million dollars has been awarded to eligible beneficiaries under the Prior Service Program. A total of 656 families currently depend on monthly benefits which total about $320,000

per annum. We estimate the total number of beneficiaries will reach 2,500 to 3,000 during the estimated 50 - 60 year life of the program. Total benefits may reach $25 million for this entire period most which will fall beyond the Trusteeship for which no apparent provision for funds presently exists or is, at least, recognized.

Amount Budgeted for FY 1984:
The FY DOI-OTIA budget for FY 1984 includes an increase of $50,000 over FY 1983 level for Prior Service Social Security benefits.

Feasibility: The continuation of U.S. payment of prior service benefits beyond termination of the Trusteeship is the problem at issue. The Federated States request is that the U.S. initiate discussion on the problem and determine the extent of its liability for ex-Trust Territory employees. Two options are:

1. Continuation of the present arrangement of annual appropriations with the Office of Micronesian Affairs assuming responsibility and control upon dissolution of the Trust Territory Government.

2. Annual appropriation by the U.S. Congress to establish a Trust Fund which will provide sufficient income to fund all future benefits. The Trust Fund could be placed under the jurisdiction of the newly created Office of Micronesian Affairs in the Department of State.

Capability; The request is for an FY 1984 commitment for funding.

Outlay Effect: The request is for determination of the question before FY 1985.

PART 5, CAPABILITY STATEMENTS FOR CAPITAL IMPROVEMENT PROJECTS REQUESTED

		5 Yr. CIP Shortfalls/ Additions		Projects Funded FY '83	FY '83 Supplemental Requested	FY '84 DOI Requested Projects	Priority 1 FY '84 FSM Requested Projects	Priority 2 FY '84 FSM Requested Projects	Priority 3 FY '84 FSM Requested Projects	FY '85 FSM
A	FSM NATIONAL									
1	Design Fund	3,000					3,000	-		-
2	Capital Road	4,800					-	4,800		-
3	Well Drilling Equip.	1,500					-	-	1,500	-
			9,300							
B	KOSRAE STATE									
1	Airport Terminal	600		-	-	600		-	-	-
2	Airport Paving/Fill	4,500		3,000	1,500	-		-	-	-
3	Sewer	1,500		-	-	-	1,500	-	-	-
4	Docks-WH., H_2O/Power	2,500		2,000	-	-	-	-	500	-
5	Roads	4,000		-	-	-	-	-	-	4,000
6	Water	500		-	-	-	500	-	-	-
7	Staff Housing	350		-	-	-	-	350	-	-
			13,950		-	-				
C	PONAPE STATE									
1	Airport Terminal	600		-	-	600	-	-	-	-
2	Water System Upgrade	1,800		-	-	1,800	-	-	-	-
3	Sewer/Hse-Conn.	4,000		-	-	-	-	4,000		-
4	Roads	6,750		-	850	-	5,150	-		750
5	Electrical (Sup)	400		300	100	-	-	-		-
6	Electrical (Gen)	1,500		-	-	-	1,500	-		
7	Electrical (Hydro)	5,150		-	-	-	-	-		5,150
8	Marine Resources	500		-	-	-	-	500		
			20,700							
D	TRUK STATE									
1	Airport Terminal	600		-	-	600	-	-	-	-
2	Water System Upgrade	6,550		1,650	-	2,000	2,900	-	-	-
3	Roads	2,300		1,000	-	-	-	1,300	-	-
4	Electrical	968		-	968	-	-	-	-	-
5	Sewer	3,000		1,000	-	-	-	-	2,000	-
6	Airport Whse	500		-	-	-	-	-	500	-
			14,018							

	5 Yr. CIP Shortfalls/ Additions		Projects Funded FY '83	FY '83 Supplemental Requested	FY '84 DOI Requested Projects	Priority 1 FY '84 FSM Requested Projects	Priority 2 FY '34 FSM Requested Projects	Priority 3 FY '84 FSM Requested Projects	FY '85 FSM
E YAP STATE									
1 Airport Terminal	600		-	-	600	-	-	-	-
2 Water System Upgrade	4,050		2,000	-	1,300	750	-	-	-
3 Roads	3,200		2,000	-	-	-	1,200	-	-
4 Sewer	2,950		1,000	-	-	-	1,950	-	-
5 Airport Extension	6,200		-	-	-	-	-	-	6,200
6 Docks	6,000		-	-	-	-	-	6,000	-
7 Staff Housing	350		-	-	-	-	-	350	-
		23,350							
TOTALS		81,218	13,950	3,418	7,500	15,300	14,100	10,850	16,100

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: National Government: Federated States of Micronesia

Proposed Amendment: $3,000,000 Capital Improvements Design Fund

Current Program: Currently TTPI/CIP projects are designed using funds allocated for this purpose in the late 70's. Given the fact that FSM and TTG are negotiating for a FSM assumption of CIP projects not already under the jurisdiction of OICC, (for example Airport Terminals) this fund is very necessary.

Amount Budgeted FY 84: $0

Feasibility: Capital Improvements Design Fund - The need for this fund is to allow the individual States to draw from the fund, upon acceptance of State priorities, for the purpose of preliminary and final designs for capital improvement projects. These monies are necessary given the lead time required to design projects and prepare for their implementation. The money will have two specific purposes: first, it will be utilized to design projects which will be carried out by the FSM under an agreement being negotiated between the TTG and FSM, which will allow the FSM to carry out certain projects not already under the control of the Navy OICC. Secondly, it will allow the FSM to allot funds to individual States on a priority basis to begin design of projects which will be funded and completed during the "Compact" period. A precedent for this type of request has been set as a special fund was established to begin design operations in 1978.

Capability: $3,000,000 is requested as a FY 84 line item. This one time budget expenditure will allow establishment of a fund necessary for critical Compact and TTG projects assumed by the FSM to be designed thereby reducing the lead time necessary to get to the point of construction.

Outlay Effect: This request is for FY 84 and is considered a one time request.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: National Government: Federated States of Micronesia

Proposed Amendment: $4,800,000 FSM Capitol Road Paving

Current Program: There is currently no funding for this vital project. The existing road is a two-lane coral capped and/or shot-rock capped road which traverses several mountain passes to reach the Capitol some six miles from Kolonia. Monies for A&E design of the Capitol have been authorized and the selection of the firm will be completed by May 15, 1983. Monies for the Capitol construction are part of the DOI-FY84 Budget.

Amount Budgeted FY 1984: $0

Feasibility: The position of the Capitol site relative to the existing urban area of Kolonia requires that persons desiring to travel to the Capitol site traverse a six mile section of extremely rough road. This difficulty will be greatly exacerbated during construction of the Capitol when heavy equipment will consistently tear up the road, thereby requiring the expenditure of tens of thousands of more dollars, unnecessarily, on road maintenance and repair. If the road is not paved prior to construction the cost to the FSM alone for vehicle maintenance and the shorter resulting life span of vehicles will approach unmanageable proportions. The feasibility of paving the road now is very good, if not excellent, because the basic roadway exists, the major passes are usable and most of the bridges and culverts can be utilized in their current condition. Further, the State of Ponape now owns the major rock quarry and rock crushing equipment which was purchased from MAEDA Inc. with funds from a special Congressional appropriation. While no authorization exists at the present time for this project it is imperative that funds be secured and the road constructed prior to the completion of the Capitol.

Capability: This request for $4,800,000 in FY84 will result in utilization of these monies for construction in CY84 and '85. The estimate of $4,800,000 is derived based on an estimate of $800,000 per mile for six(6) miles.

Outlay Effect: Monies requested are for FY 84 in order to obtain a qualified bid and award the contract thus obligating the total $4.8 million in FY '84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: National Government: Federated States of Micronesia

Proposed Amendment: $1,500,000 Well Drilling Equipment

Current Program: Currently each State within the Federated States of Micronesia is responsible for tapping their own subterranean aquifers. This has been done in the past as part of the original CIP in the States of Truk and Yap. Presently Truk and Yap have on-going well drilling programs which require outside construction firms to drill the wells. The State of Truk has an ongoing relationship with the USGS to locate potentially economically viable well sites. Further, the FSM is negotiating with USGS to conduct a ground water survey of the Capitol site in Ponape during the summer of 1983. A portion of the $2,000,000 already targeted for Truk in 1984 is for the purpose of drilling 14 wells on Moen, (Please see page TIA-174). Given the cost to sink wells it is considred extremely expeditious if the FSM could acquire automated, computerized drilling equipment with the components necessary to drill economically viable wells and train a crew to run it in conjunction with USGS and OICC ongoing efforts.

Amount Budgeted FY 1984: $0

Feasibility: The acquisition of this needed equipment will allow the FSM to operate a mobile well drilling unit and team as an enterprise fund. The equipment and team can be utilized by each State on a lease basis with Truk State, which currently relies heavily on wells, being the first lessee. Given the current drought and the emerging policy on the part of the States to switch to wells, this project is feasible.

Capability: The $1,500,000 is one year, one time request for FY '84.

Outlay Effect: The monies will be spent in FY '84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $1,500,000 Airport

Current Program: Basic airfield is complete and operational for light aircraft. $3,000,000 is appropriated for FY 83. This is not sufficient to complete the project.

Amount Budgeted FY 84: $0

Feasibility: According to the original scope, Kosrae would be provided with an airport with a 7000 x 150 feet runway, a parking

apron, access taxiway, and sufficient land for terminal building, parking space and navigational aids.

The airport presently under construction includes a 5750 x 150 feet runway, and a pull-off area. Lighting and navigational aids are expected to be funded by FAA. The scope has been significantly reduced. Fortunately, additional funds have been appropriated in FY 83 for paving the runway ($3 million) and to bring water and power to the airport and dock ($2 million).

The present land area available for a terminal plus parking lot and supporting activities is very much insufficient.

The land surface, originally included for a parking apron, access taxiway and additional facilities, has been completely omitted. Additional filling is inevitable to allow for a full and effective use of the airport. Without it, there will arise very easily a situation of congestion, conflicting with FAA regulations.

The present pull-off almost certainly implies that now and in the future only one airplane at the time can visit the airport.

Budget breakdown (estimate):

a) Additional funds for paving runway.... $1,000,000
b) Funds for additional filling for terminal and possibly apron..... $ 500,000

This is a high priority for Kosrae and the National Government as the expected action of deducting funds from other projects is a real possibility if the amount requested is not forthcoming.

Capability: Funds will be spent as outlined above. This project is years behind schedule and it is critical that it be funded.

Outlay Effect: FY 84

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $1,500,000 Sewer

Current Program: $1,000,000 is available through EPA for an innovative sewer system compatible with Kosrae needs and not the high technology system originally scoped. The original funding level was 7 million dollars. The current estimate made by FSM is 2.5 million based on the WHO plan.

Amount Budgeted FY 84: $0

Feasibility: Fortunately, real progress in the Kosrae Sewer Project seems to at hand now. Also being very much aware of what happened elsewhere in the FSM, Kosrae is desirous to start implementation as soon as possible.

The original scope has changed towards a low operating cost, low maintenance system. The Plan Design Proposal made by WHO seems to offer a good guideline for an adequate island-wide sewer system.

Part of the costs will probably be covered by an EPA Grant, worth $1 million. Although cheap and simple compared to the original design, additional funding is necessary to implement this project in line with the original scope.

Budget breakdown (estimate):

a)	A & E costs.....	$300,000
b)	Additional costs of construction.....	$430,000
c)	Sanitary care units for all households..	$270,000
d)	Inclusion in plan of Tofol area; especially upgrading of oxidation pond based on evaluation study.....	$ 75,000
e)	Funding for expansion of the system once constructed (under "force account") to cope with the rapid population increase. Requested: 10% of construction costs.....	$ 250,000
f)	Additional contingency funds. This type of project -- involving all households and individuals -- is expected to face unexpected problems and costs.....	175,000
	TOTAL	$1,500,000

Capability: Funding will be spent as shown above. This is a FY 84 request.

Outlay Effect: This one time expenditure coupled with a $1,000,000 grant from EPA will complete the project by the end of 1986.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $500,000 Dock Warehouse

Current Program: The dock itself is completed and $2,000,000 for Dock Water and Power has been appropriated for FY '83, P.L. 97-354. The electrical scope includes running the third phase of 13.8KV overhead from the Tofol power plant to Tefensak, upgrade of the intown substation, and an underground power run to a proposed airfield/dock terminal area. The water scope includes a distribution pipeline from the trestle

bridge on the airport access road to the dock. It also includes drilling well sites in the Tefensak/Okat area. While the dock is finished and power and water are going to be supplied, there is currently no provision for a warehouse which is necessary to make the dock fully operational.

Amount Budgeted FY '84: $0

Feasibility: Although not in the original scope, a warehouse will be necessary to benefit optimally from the investments made in the dock. This facility is especially important given the very exposed location of the dock which sits on the open reef. Incoming and outgoing goods need to be protected from the harsh Pacific environment. This is especially true for fresh produce which is a major export of Kosrae. The facility is proposed as a pre-engineered warehouse based on the one just completed in Yap.

Capability: If funds are appropriated in FY '84 the facility will be operational by the end of the fiscal year.

Outlay Effect: FY '84 only.

Agency/Bureau: Department of the Interior/Territorial and International Affaris

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $4,000,000 Roads

Current Program: The original scope has been reprioritized from paving existing roads towards a circumferential road. It is estimated that another 24 miles need to be constructed. Estimated cost is $7.2 million. At the moment $3.2 million is still available.

Amount Budgeted FY 84: $0

Feasibility: Construction of approximately 1.7 miles of coral-base, well-drained roadway is being provided under Contract 77-0220 (Kosrae), as well as, approximately 1.0 miles of coral-base roadway which serves as the airfield/ dock access road. The original scope of the remaining roads project was to pave existing road surfaces (approximately 9 miles) in and near the district center. At Governor of Kosrae's request, the HICOM approved changing the scope of the project to construct island circumferential roads. As available funds are inadequate to provide the total mileage of roads now desired by Governor of Kosrae, roads are being built with available funds at the rate of 5 to 7 miles per year depending on the weather conditions. Of the $4 million requested, $2 million is recognized as part of the $32 million shortfall and is being programed for later than FY 84. The State of Kosrae is constructing the road at an average cost of $300,000 per mile. If the funds are secured Kosrae will be assured of adequate funds neces-

sary to complete the road. No authorization currently exists.

Capability: The amount requested is necessary and adequate to complete the road. At the rate of 5 miles per year it will take 5 years to complete the road. At a rate of 7 miles per year it will take approximately 3 1/2 years to complete the road.

Outlay Effect: Funds on hand are sufficient for at least one year, possibly more depending on equipment requirements and the length of the 1983 dry season. Funding could be phased in FY 84 and 85.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $500,000 Water

Current Program: An amount of $4,368,000 is currently available through FY '78 and FY '80 funds. A contract has recently been let for $2,220,000 for the construction of the Lelu and Tofol water systems. $348,000 has been spent for 8 inch lines in the Tofol area and other water related costs of the remaining $1,800,000. Kosrae intends to extend the mains in the Tofol and Lelu areas, provide for stub outs and house connections. A major component to be added is the rapid sand filter necessary to provide pure water. Finally, Kosrae must soon commit $110,000 to complete the Hydro-studies being conducted and desires to reprogram that amount.

Amount Budgeted: $0

Feasibility: Given the extent of the remaining work to be completed, the $1,800,000 is deemed to be insuffifient to complete the original scope. The $500,000 requested is necessary to ensure that enough monies are available to complete the liner feet of mains required to serve the population centers, the purchase and installation of the rapid sand filters and the house connections. Current estimates by UNDP staff justify the request as sufficient to complete the project.

Capability: This request for $500,000 is for FY '84. As previously stated, the Kosrae water project is being phased with the second phase currently under construction. The third phase for which this amendment is intended is currently being scoped. It is estimated that the remaining phase can be let for bid by mid-1984 fiscal year.

Outlay Effect: The requested amendment is for FY '84 and is expected to be the final amount necessary to complete the project which would then amount to $4.868 million.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Kosrae State: Federated States of Micronesia

Proposed Amendment: $350,000 Housing

Current Program: Kosrae has not been able to hire needed expatriate staff due to lack of housing.

Amount Budgeted FY '84: $0

Feasibility: Staff housing is almost completely lacking in Kosrae. The Government rents a few houses, however, with a number of expatriate staff already in house and another number being hired in the very near future, expansion is critically needed.

Budget breakdown (estimated):

a) Ten (10) housing units---------- $350,000

Capability: As shown above, staff housing is critically needed and the expenditure of $350,000 for 10 units at $35,000 per unit. No future expenditures are anticipated.

Outlay Effect: FY '84 only.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $4,000,000 House Sewer Connections and Sewer Outfall

Current Program: The original scope called for 64,000 LF of sewer lines, lift and ejector stations. Due to cost concerns, 25,000 LF, 125 manholes and lift stations were eliminated for Sokehs Island. Innovative systems are now being designed and will be funded by EPA. A house sewer connection program is now under way for Kolonia Town but will serve less than 250 dwelling units. This program needs to be continued to eliminate ground water pollution. The existing sewer outfall discharges into a part of the lagoon with restricted tidal flow. Restricted flows are resulting in a significant level of pollution between Kolonia and Sokehs Island.

Amount Requested: $0

Feasibility: The design of the current house sewer connection program is being jointly completed by FSM and TTG. It is very feasible to continue this cooperative venture using $600,000 of the requested amount. The need to hook up dwelling units with indoor plumbing is very great as is the need to provide connections as a method of encouraging construction of modern sanitary facilities.

The outfall will consist of 10,000 feet of 18-inch pipes. It will connect to the existing sewage treatment plant's chlorination contact tanks and run parallel to the Taketik-Kolonia causeway. The outfall would flow by gravity until the 1.8 mgd. capacity of the existing plant is reached. The 18 inch line would then be connected to the existing pump station at Kepinle. The proposed ocean outfall has been sized to accommodate the Kepinle plant's expanded capacity of 1.6mgd. The option to either construct a new plant on Taketik Island or, to expand the existing plant, is still left open until the need arise.

There currently is not an appropriation for this specific project, however leftover DOI funds and EPA funds are allowing the innovative system in Sokehs to be constructed and also the house sewer connections in Kolonia to be made.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $6,750,000 Roads (Circumferential)

Current Program: $4,665,000 has been appropriated and spent as of March 1, 1983 according to the Trust Territory Office of Planning and Statistics. This does not include funds appropriated by the Ponape State Legislature. A total of 40 miles has been completed leaving only 10.27 miles to be completed for the total 50.27 miles of Ponape Circumferential Road. The original scope for the Circumferential road in the 5-year CIP plan did not include its completion. Funding for the original scope will be exhausted in May, 1983 at which the PTA will complete its contract with OICC. The funding request to complete the remaining 10.27-mile requires 3.85 million dollars for the road construction and $2,900,000.00 for construction of 4 major bridges. This is based on the average $384,000.00 cost per mile of construction. An amount of $2,000,000 is recognized by the Trust Territory Government as part of the "32 million dollars" shortfall. This amount is not programmed at this time by the Department of Interior.

Amount Budgeted FY 1984: $0

Feasibility: PTA has completed the preliminary survey of 2.27 miles for the remaining 10.27 miles. It also has prepared plans, designs with specifications completed for 8 miles and also has secured easement right to all the remaining 10.27 miles. By April, 1983 the State will have a serviceable road on the Western segment from Kolonia to Lehnmesi River of approximately 15 miles and on the Eastern segment from Kolonia to Lohd Bridge of approximately 25 miles. With adequate funding PTA has estimated it can complete the construction of the circumferential road by the end of calendar year 1984.

Direct benefits are to approximately 21,000 people living on the island as immediate users of this only main road that links the rural areas with the urban. Other immediate effects will be to promote the development of agriculture , establish the basic infrastructure for

transportation means for students commuting to school, and other workers who are employed in the State center. The road will promote commerce, tourism and small industry. It will assist on the development of public works in the outer villages.

Capability: Based on current estimates, and past experience, the following amounts are necessary to complete this vital project:

Bridges:

- Lehnmesi	$ 900,000	
- Pwok	500,000	
- Wone	600,000	
- Enpein	900,000	
		2,900,000

Roadwork:

10.27 miles	3,850,000	
		3,850,000
	TOTAL	$6,750,000

Clearly, the amount necessary to complete the road is beyond the capability of either the State of Ponape or the Congress of the Federated States of Micronesia to fund. If the entire amount is not funded, the construction cannot be completed by the target date, which is the end of calendar year 1984. The Ponape Transportation Agency has the trained manpwer, the necessary equipment and the administrative capability to complete the project if funding is secured. This team will begin to disband by the end of May, 1983 as existing funds will be exhausted.

Outlay Effect: The following outlay effect is requested in order to keep this project on schedule:

FY '83 supplemental	$ 850,000
FY '84	5,150,000
FY '85	750,000

The remaining miles and bridges are necessary to complete this project which has been ongoing since the late 1960's.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $100,000 Electrical (for construction of substations necessary to energize Uh and Sokehs lines)

Current Program: $300,000 was appropriated in FY '83 (P.L. 97-394) for the purchase of transformers and materials necessary to energize the rural lines built under the original scope. This money is being transferred to Ponape State for the purchase of the necessary equipment.

Amount Budgeted FY '84: $0

Feasibility: The Kolonia and Nanpohnmal power plants are the main sources of electrical energy for Government, industrial and commercial sectors. The Nanpohnmal plant is the newest of the two. Three 500 KW Caterpillar units were recently relocated here with the three 800 KW Caterpillar units. The Kolonia power plant which houses two 750 KW White Superiors will eventually be phased out. The distribution system needs adequate substations to even out the power supply. In many areas voltage drops as low as 90 volts from 110/120 volts are consistently experienced. The proposed substation would be located about two miles north of the Nanpohnmal power plant in Kolonia. There is plan available for this upgrade. With the substation in place, voltage drops or fluctuations would be minimal or nil.

This addition will supply reliable and dependable power for Ponape State government, the industrial and commercial sector as well as for the Federated States of Micronesia government. This improvement will aid in less equipment breakdowns and spoiled commodities. This is considered as a high priority which will yield maximum benefit at little cost.

Capability: The $100,000 will be used to build the necessary substation(s) (based on final TT recommendation) necessary to provide a stable energy source to the urban area and operation of the Uh and Sokehs lines. Because the transformer for the rural lines are being ordered, it is absolutely necessary that this $100,000 which is not currently programmed be appropriated.

Outlay Effect: This request is for a FY 1983 supplemental appropriation. The monies will be spent immediately so that by the time the rural transformers are installed the rural lines can be energized without adverse impact on the Kolonia system.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $1,500,000 Electrical (Power Generation)

Current Program: Ponape State is currently utilizing only six operable generators that are capable of producing an optimum operating capacity of 2,900KW. The prevailing peak demand is in the neighborhood 2,500KW. As was mentioned above these six units are light duty engines and always in danger of breakdowns. In 1981 all eight generating sets for the State of Ponape were offline at various times, most with crankshaft failure. Ponape State main power plant is situated in Nanpohnmal village at which place the two new generators will also be placed, when funding is secured.

Amount Budgeted FY 84: $0

Feasibility: There are 31.5 miles of new line installed as part of the original scope of the Capital Improvement Program. Given the intent of the original scope which was to provide adequate power to the urban area and adjacent rural areas and the known condition of the existing generators at the time the program was prepared it is feasible to energize the lines if the two new low speed, heavy duty generators are procured and properly installed and housed. A substantial risk exists, wherein the State will experience massive power failures due to breakdowns if the lines are energized without this required long term solution. Specifically two low speed, (750-900 RPM) heavy duty generators will be purchased and an addition to the power house will be built to house them. The relationship to program goals is as follows:

a) to provide adequate and reliable power supply for the state's existing power users,
b) to eventually replace high-speed, light-duty generators with low-speed heavy-duty generators,
c) to be eventually capable of providing power to the people in the places with existing power lines, inclusive of the 31.5 miles of power already in place but yet to be in operation.

No authorization currently exists, however this phase of the electrical project is considered by Ponape State and the FSM as part of the intent of the original scope and is a high priority.

Capability: Of the $1,500,000 requested, approximately $1,000,000 is needed for outright purchase of the two 1000 KVA generators. The remaining $500,000 is for plant expansion, installation and hookup and shipping. The proposed amount is sufficient to cover the estimated cost if funds are appropriated in FY 84 and obligated by March of FY 84.

Outlay Effect: The outlay schedule is FY 84 for obligation and expenditure of funds for all actions necessary to complete the project.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $5,150,000 Electric (Nanpil Hydropower)

Current Program: As part of the original scope of the Capital Improvement Program, a series of studies were conducted regarding hydro potential. The 4 million dollars requested is to construct the actual facility. Current funding of $250,000 is not for construction.

Amount Budgeted FY 1984: $0

Feasibility: Although not in the original scope, the facility has been authorized and funds are requested at this time due to the expected construction time required. An amount of $250,000 was made available to Ponape State for hydro electric development. This money was awareded to U.S. Army Corps of Engineers, Fort Shafter, Hawaii to design the plant. In the memorandum of understanding with the Army Corps, in the scope of work it specified that the Corps will provide all the space required for construction of the plant. Design would all be completed and presented to Ponape State Government, final plans and costs, in August, 1983. The plant being proposed would produce about 4.02 MWHRS per year.

The plant supplying electrical energy would be one step further towards energy self-sufficiency. This would decrease our dependence on imported fuel. If there is disruption in fuel supply, energy would still be available in areas where it is critical, like hospital, communications, etc. The commissioning of the plant would present such benefits as:

a) more savings on fuel cost
b) less maintenance and costly spare parts
c) longer life than that of a diesel generator
d) reduce state's dependency on imported fuel

No authorization of funds exist currently, however, they are needed to achieve the goal of conversion to low speed, heavy duty generator and hydropower with higher speed, light duty units as backup.

Capability: At this time the estimated cost of the perferred option by Ponape State is 5.15 million dollars. Funding will be used for construction of a stream flow diversion dam, power station and access road.

Outlay Effect: If the project cannot be completely funded in FY 1984, a minimum of 2 million dollars should be funded with the balance in FY 1985.

Capability: An FY '84 appropriation of $4,000,000 will allow $600,000 to be targeted immediately for house sewer connections and continued cooperation on the part of FSM and TTG. Funds earmarked for construction of the ocean sewer outfall allow design and construction of this facility within two years.

Outlay Effect: Money requested for appropriation FY '84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Ponape State: Federated States of Micronesia

Proposed Amendment: $500,000 Marine Resources

Current Program: The current program effort for this project is limited to the placement of dredged material from the Harbor being removed by Healy-Tibbits under provisions of "Ponape Construction Package II" and an amount of $300,000 which remains in the Marine Resources line item. The original appropriation was $1.347 million in FY '78. This money was pulled to pay claims for other projects. It was restored in FY '81 but $1.083 million was again pulled, this time to fund Phase II of the major Ponape Dock. Further amounts were deducted to finish the Ponape road paving project leaving the current balance available to finish the dock face, filling, hardsurfacing and appurtenances. The amount remaining is not sufficient.

Feasibility: The current program of the contractor to fill the area necessary for Marine Resources is complete. They have dredged and placed on the site all the material intended under current contracts. There is a substantial amount of fill needed to begin construction of the dockface and hardstand area. With a certain amount of base fill in place, it is possible to develop a usable area and dock for $800,000 of which $300,000 is available from FY '81 funds. There are now local contractors with the capability to dredge and place the remaining required fill and most of the hardstand work. The dock face could be done as part of the bridge contracts for the circumferential road.

Capability: The State of Ponape requests an additional $500,000 to partially offset the lost funds deducted by the Trust Territory for other projects. The entire project can be completed by Ponape State under an agreement being negotiated between FSM and the Trust Territory which will allow the FSM to assume the responsibility for certain projects not under the supervision of the Navy OICC.

Outlay Effect: This request is for FY '84 and if funded, will allow satisfactory completion of the project.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: $2,900,000 Truk Lagoon Water Improvement to existing systems through construction of wells, and distribution systems.

Current Program: The Wichen intake was deleted from the current contract 79-0293 (Truk) due to a Historical Preservation problem. A new site has been selected, but design "Go Ahead" is waiting on Historical Preservation and Environmental clearances prior to commencing redesign. It is anticipated that inclusion of this intake and water treatment plant can be accomplished as a change to this contract. A water treatment plant, catchment and steel tank reservoir with a capacity of 1M gallon is to be constructed at Wichap. The catchment is comprised of 2 catchment areas totaling 4,260 SF in surface area. The Wichap Village Water System is comprised of approximately 5,300 LF of 12" water distribution line, 5 service laterals and a fire hydrant as well as 19 additional fire hydrants and an additional 257 service lateral stubs to the existing system. The current program which was under scoped in the original Capital Improvement Program and underfunded, as can be documented through the administration's budget requests and through deductive reimbursible support agreements between TTG and Navy OICC, cannot now resolve the Cholera epidemic without significant additional funding. Nor can the original scope and intent of the program be fulfilled. The $2.9 million proposed amendment was part of the "Cholera" program submitted in February,'83. However, due to the location of the proposed expenditures, e.g. Truk Lagoon, the State Center, it is the position of the National Government that these monies be part of the FY 84 Capital Improvement Program funding request.

Amount Budgeted FY 84: $2,000,000

Feasibility: The $2 million is targeted to complete missed bid items from previous funding appropriations. The loss of award of 11,127 LF of 8" water line, 28 service laterals and 9 fire hydrants, although more than the original scope, has caused hardship on the many island residents who have been waiting for adequate disease-free water to drink. Also not awarded in contract 79-0293, due to financial considerations, was an additional 16,060 LF of 8" water line, 13 service laterals, 5 fire hydrants and 30 water hydrants on Dublon Island.

This additional request will allow the full development of the Wichap water system on Moen, and its integration with the Moen central water system. It will allow the money necessary to operate 2 Japanese reservoir's (Mwan and Sapun - combined capacity 3.18 million gallons) and three diversion dams at an estimated cost of $480,000. It will allow for the development of the Chun water treatment plant estimated $302,000 and the

construction of at least 30 deep wells over and above the 14 wells programed in the Administration budget. These wells are necessary on major Truk lagoon islands as the primary source of potable water. The wells must prove out at 45-60 gallons a minute, continuous to be economical to operate. This is a very high priority for Truk State and when funded will allow achievement of the following two goals:

a) Provide enough funding to adequately fund the construction of the Wichap water system and integrate that system with the Moen central system.
b) Provide funding which will allow the permanent elimination of Cholera within Truk State.

Capability: Funding secured through the Administration's request ($2 million) and this proposed amendment will be used in accordance with the DOI budget, see page TIA-178 and this statement. The total package of $4.9 million will be administered by Navy OICC and the FSM in accordance with capabilities and negotiations currently under way for FSM assumption of selected projects. The entire amount is requested in FY 84 in order to insure a block of funds for this needed work.

Outlay Effect: The $2.9 million proposed amendment will increase the DOI FY 84 budget to $4.9 million from $2.0 million and is absolutely necessary to meet the above stated goals.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: $1,300,000 Roads

Current Program: Due to funding limitations, approximately 2.7 miles of paved roads, together with 1,800 LF guardrail associated traffic signs, pavement markings, the replacement of 5 box culverts, 5 new box culverts and 3 bridges were unable to be awarded. The 3 bridges replaced existing box culverts in the causeway and consequently are not considered scope changes.

Elimination of paved roads will require local government to maintain coral surfaced roads over Pou Bay Causeway. The section will require constant maintenance. Elimination of guardrails, road markings could present a safety hazard.

Amount Budgeted FY 84: $0 - Trust Territory Government recognizes a figure of $1.3 million as its liability under the "32 million" shortfall.

Feasibility: The proposed amount of the FY 84 amendment will return the project to the original scope and complete the project.

Capability: $1,300,000 is required to bring the project up to the original scope of work and complete the intent of the road project shortfalls as described above. The $1,000,000 appropriated in FY 83 is not considered sufficient to complete this project. The money is requested for FY 84 in order to provide continuity towards projection completion.

Outlay Effect: A delay in funding this project may result in drastically increased costs as the current contractor may demobilize. Therefore the final amount of $1.3 million is requested for FY 84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: $968,000 Electrical

Current Program: The original scope of work was reduced for power distribution on Moen and Dublon Islands, and the relocation of two 500KW generators together with switchgear from the Moen Power Plant to the Dublon Plant. These two generators were replaced with 900KW units. The cost of relocation of the generators is $363,000. To restore 7.52 miles of overhead lines and poles with transformers on Moen Island is $475,000. To restore the original scope on Dublon Island of 2.01 miles of line, poles, and transformers is $130,000. The total cost to restore electrical facilities to the original scope is $968,000. This is requested as a supplemental FY 83 request.

Amount Budgeted FY 84: $0

Feasibility: The above described status of the current program consists mainly of missed bid items due to limited funds. The project tasks are designed and only need funding to complete the original scope. Continued limiting of funding will leave a large gap in the island wide distribution system on Moen.

Capability: The $968,000 will return the project to its original scope and allow its timely completion.

Outlay Effect: This amount is requested as a 1983 supplemental thereby allowing for the potential of continued work for the already mobilized contractor.

Agency/Bureau: Department of Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: $2,000,000 Sewer System Completion

Current Program: $1,000,000 was made available in FY '83 for the purpose of funding portions of the sewer system not completed with the 4,177,000 expended to date. The $1 million will allow a modest expansion of the original scope. However, with the presence of "Cholera" in Truk State, the amendment is submitted in order to complete the centralized sewer system for Moen.

Amount Budgeted: $0

Feasibility: While there is no authorization for this money and the completion of the centralized sewer system, the onslaught of "Cholera" in Truk makes the question of feasibility moot. It is now mandatory that the centralized waste disposal system be completed with service to all persons. These funds would be used in the following ways:

$1 million - Sewer Mains/Lift Stations

$1 million - House Connections and Sanitary Cores when Necessary

Capability: $2,000,000 utilized as outlined above will be spent in two phases. First, completion of the central system will be administrated by OICC as part of their ongoing responsibilities. Second, the house connections and sanitary cores will be constructed through the Truk Force Account with Public Works and local contractors completing the work.

Outlay Effect: This is an FY '84 request only.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Truk State: Federated States of Micronesia

Proposed Amendment: $500,000 Airport Warehouse

Current Program: There is not a current statement in the original program calling for a warehouse at the airport site. However, this facility is necessary for economic development and will be identical to one just completed in Yap State.

Amount Budgeted in FY 84: $0

Feasibility: Airport Warehouse - This facility is to be similar to the one in Yap for which drawings are available. This

facility is necessary for air freight and airport operations and vitally important as protection for fire fighting equipment which is otherwise consistantly exposed to salt air. The amount requested is $500,000 as the structure will be on Public land. The suggested priority is for FY 84.

Capability: This proposed amendment will increase the Administration's FY 84 budget by $500,000. The money, if appropriated, can be obligated and spent within FY 84 as the facility desired is a pre-engineered building. This facility, when equipped with chilled storage areas, will allow for shipments of lobster and fresh fish to Guam markets. The money requested is adequate and no future appropriations are required.

Outlay Effect: This is an FY '84 appropriation request.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Yap State: Federated States of Micronesia

Proposed Amendment: $750,000 Southern Yap Water

Current Program: Phase I of this major project is funded under FY 83 scope restoration (P.L. 97-394) and is expected to go into construction in early calendar year 1984. Phase II is contained within the DOI Budget, page TIA-179. Phase III is not funded and is not contained in the proposed budget.

Amount Budgeted FY 84: $1,300,000

Feasibility: Phase III will complete the system which was started with FY 83 funds. This is essentially a distribution system to nearby villages of the new Yap State Airport. The distribution lines and laterals will serve approximately 2,000 people. If funds requested in this proposed amendment are received in FY 84, the entire system can be completed by the end of calendar year '85 as opposed to August 85 for Phase II alone. This is a high priority for Yap State.

Capability: This request increases the proposed appropriation from $1.3 to $2.05 million. The amount currently proposed is insufficient.

Outlay Effect: This request is for FY 84 and when funded will allow completion of all three phases of the system.

Agency/Bureau:	Department of the Interior/Territorial and International Affairs
Appropriation:	Trust Territory of the Pacific Islands
Activity:	Yap State: Federated States of Micronesia
Proposed Amendment:	$1,200,000 Roads
Current Program:	$2,000,000 authorized FY 83 (P.L. 97-394) to complete Road "D" and other elements of Yap States transportation network. $500,000 of 1,200,000 requested in this amendment is being programed for FY 85. Accomplishments with the current $2 million are expected to be as planned, but short of original scope.
Amount Budgeted FY 84:	$0 The current appropriation for FY 83 is estimated to be $1.2 million short of required funding.
Feasibility:	As a result of limited funds, some 5-48 miles of road have not been paved or provided with the appropriate appurtenances such as guiderails, sidewalks, signage, etc. Although $500,000 is being considered for inclusion in the FY 85 DOI request it is a minimum amount and not considered sufficient to meet the intent of the original scope. It is imperative that the $1,200,000 requested in this proposed amendment is approved in FY 84 in order to insure a continuation of the construction effort by the contractor already mobilized. The money requested is to insure the completion of road "D" with drainage and guardrails and 8,000 feet of sidewall from Colonia to the High School which are the TTG second and third priorities for completion under the current $2 million appropriation.
Capability:	As no budget request exists for this amount in FY 84 this will increase the funds requested by $1,200,000. The Navy OICC and Yap State have an excellent working relationship and given the fact that the design is already completed, the projected is expected to be completed by the end of FY 84.
Outlay Effect:	FY 84 request will complete the project if funded.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Yap State: Federated States of Micronesia

Proposed Amendment: $1,950,000 Rural Water/Sanitation

Current Program: None Exists

Amount Budgeted FY 84: $0

Feasibility: Rural Water and Sanitation: The goal of this project is to provide good quality water to all parts of Yap State, including outer islands not served by the Colonia, Gagil-Tomil or Southern Systems. It also aims to upgrade sanitation by providing pit privies or other appropriate means of excreta disposal in parts of Yap not served by the Colonia Sewer System, especially the outer islands.

A proposed budget breakdown is as follows:

600 standardized water catchments	$420,000
20 small water systems @$30K	300,000
100 wells with handpumps @1K	100,000
400 composting privies @$500	200,000
100 small septic systems @3K	300,000
30 sanitary cores for schools @15K	450,000
Admin. & contingency	180,000
TOTAL	$1,950,000

Capability: This project is to be administered by Yap State and the National government under agreements currently being negotiated with the TTG for FSM administration of selected projects prior to Compact level funding. If funded in FY 84, it is anticipated that this project will be completed in 24 months.

Outlay Effect: This is a FY 84 request but funding could be spread over 2 fiscal years.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Yap State: Federated States of Micronesia

Proposed Amendment: $6,200,000 Airport

Current Program: Due to limitations in funds the airport is 900 feet shorter than proposed. The airport is currently scheduled to begin operations in August of 1983. While Air Micronesia and FAA concurred that a 727-100 or 727-200 can safely land within 6,000 feet. Air Micronesia's franchise will expire in 1988.

Amount Budgeted FY 84: $0

Feasibility: Monies will be utilized to extend the airport 900 feet and settle outstanding land claims which amount to $200,000. The estimate for this work in 1981 was $3,460,000. The relationship of Yap and Palau to the burgeoning tourist trade from Japan makes this a cost beneficial improvement. No authorization currently exists for this amendment.

Capability: This project is requested for FY 84.

Outlay Effect: FY 84.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Yap State: Federated States of Micronesia

Proposed Amendment: $6,000,000 Docks Ulithi and Woleai

Current Program: These projects were not built due to limited funding, but are part of the original scope.

Amount Budgeted FY 84: $0

Feasibility: Ulithi and Woleai Docks: These projects were dropped from the original scope of the 1976-81 CIP program when bids and final cost estimates came in almost twice the original budget. They are still felt to be important projects and are vital to the long-range development in Yap's outer islands. Budget breakdown (current estimate):

. Ulithi Dock (1984 Construction)	$3,000,000
. Woleai Dock	2,000,000
. S.I.O.H.	1,050,000
TOTAL	$6,050,000

Capability: Funding will be utilized as shown above.

Outlay Effect: If funding cannot be provided in FY 84 for both docks, approximately $3.5 million for Ulithi should be funded in FY 84 as the Ulithi facility is already designed. The remainder may be funded in FY 85, e.g. $2.55 million.

Agency/Bureau: Department of the Interior/Territorial and International Affairs

Appropriation: Trust Territory of the Pacific Islands

Activity: Yap State: Federated States of Micronesia

Proposed Amendment: $350,000 New Housing

Current Program: None: Trust Territory turned over all Housing to the various entities.

Amount Budgeted FY 84: $0

Feasibility: Much of the housing stock built by the T.T. administration is in need of replacement. There will be a continued need for government housing for expatriate technicians and managers working on various development projects. Current plans call for building 10 small, 2-bedroom units at an estimated cost of $35,000 each, including S.I.O.H. The units would be built by local contractors.

Capability: This project is requested for FY 84 and is needed as there are 56 government housing units in Yap not including the 8 units in the "Pink Apartments" which have been condemned. The project is requested for FY 84 and is a one-time request.

Outlay Effect: FY 84 only.

Statement of Hon. Erhart Aten, Governor, State of Truk, Federated States of Micronesia

MR. CHAIRMAN AND MEMBERS, I AM GOVERNOR ERHART ATEN OF THE STATE OF TRUK IN THE FEDERATED STATES OF MICRONESIA.

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO EMPHASIZE TWO ASPECTS OF THE FSM'S BUDGET PACKAGE. ONE ASPECT IS THE $5.135 MILLION REQUESTED FOR THE CHOLERA ERADICATION PROGRAM. THIS FUNDING IS CRITICALLY NEEDED AS A FOLLOW-UP TO THE $1.6 MILLION IN FY 1983 FUNDING MADE AVAILABLE FOR EMERGENCY CHOLERA CONTROL. THE SITUATION HAS NOW BEEN STABILIZED. THE REQUESTED FUNDING OF $5.135 MILLION WILL PROVIDE FOR A BASIC SET OF APPROPRIATE SCALE SANITARY AND WATER SYSTEMS, SPECIALIZED MEDICAL PERSONNEL, A THOROUGH PUBLIC HEALTH EDUCATION PROGRAM AND TECHNICAL ASSISTANCE. THIS PROGRAM WILL FOLLOW-UP ON THE FY 1983 EMERGENCY PROGRAM BY SETTING IN PLACE FACILITIES THAT WILL MAKE POSSIBLE OVERALL SANITARY CONDITIONS IN THE STATE. THE EDUCATION COMPONENT OF THE FY 1984 PROGRAM WILL STRESS CHANGE IN HABITS TO MAXIMIZE THE BENEFIT OF THE NEW FACILITIES.

THE REQUESTED PROGRAM IS INDISPENSABLE IF THE STATE OF TRUK IS TO ERADICATE CHOLERA AND REMOVE THE CONDITIONS CONDUCIVE TO CHOLERA.

I ALSO WANT TO TAKE THIS OPPORTUNITY TO REQUEST U.S. CONGRESS SUPPORT FOR FSM'S POSITION ON WHAT IS NEEDED FOR COMPLETION OF THE INTENT OF THE FIVE-YEAR CIP. THE APPROPRIATION OF THE WATER AND SEWER PROJECTS CITED WILL ASSIST IN PERMANENTLY UPGRADING HEALTH CONDITIONS IN THE FEDERATED STATES, AND ASSIST IN PREVENTION OF FURTHER EPIDEMICS.

I WOULD LIKE TO THANK YOU FOR GIVING ME THIS OPPORTUNITY TO PERSONALLY SPEAK BEFORE THIS COMMITTEE.

Letters From Felilciano M. Perman, Program and Budget Officer, Ponape State Government, and Kasiano Joseph, Chairman, Committee on Finance, Ponape State Legislature

May 16, 1983

The Honorable James A. McClure
Chairman
Subcommittee on Interior and Related Agencies
Committee on Appropriations
United States Senate
S.C. 114 Dirksen Senate Office Building
Washington, D.C. #20510

Dear Mr. Chairman:

Pursuant to your invitation for comments for insertion in the Committee records during the Subcommittee hearings on the Office of Territorial and International Affairs, inclusive of the Trust Territory, Thursday, May 12, 1983, the Ponape State Delegation would like to place before you the following concerns. These concerns relate to ongoing operations and programs of the State Government, and the needs set forth below are, we believe, essential to the continued credibility of the State and the development of stability in the delivery of primary government services to our people. At the State level we are faced with the realities of providing these services to an indigenous population, largely unaware of the high technology of the modern world and often inaccessible except by boat or foot path. Our responsibilities at the State level are basic, our requirements unglamorous, but we feel they are very important because they affect our people directly and personally in their homes and communities.

First and foremost among our immediate concerns is the financial crisis which is developing within the category of medical referrals. At the end of April in Ponape, referral obligations and submitted bills exceeded $800,000, almost twice the amount allotted to this account in the current fiscal year. Yet a little less than one half of the fiscal year remains during which untold additional demands will be made upon this account. Medical emergencies are no respecters of budgetary allocations; they must be met as they occur.

This State has devoted considerable amounts of its own resources to seeking out long term solutions to the medical referral dilemma. The Federated States is studying the problem as well. But as the studies progress, people continue to become sick and serious accidents do occur. Although initially designed as a referral facility, our hospital at present is not equipped or staffed at high enough levels to competently handle the most serious of cases. While upgrading our local hospital may be a long term solution, the short term demands remain. During Fiscal Year 1983 there is just not enough money to finance this account. Supplemental funds in the amount of at least $800,000 are sorely needed.

To finance the costs of future status education and the conduct of the forthcoming plebiscite on the Compact of Free Association, we were informed that monies were reprogrammed from the fuel contingency fund to this new activity. In Ponape, electrical demands have increased significantly because of the movement of the National Government and its employees to the island and the ripple effect this move has caused in the urban vicinity of Kolonia. Demands have also increased through the natural maturing of

our young population to adulthood, and the increased energy requirements of operating their own households and raising their own families. Fuel costs have also increased dramatically over the last few years. Thus the fuel subsidies provided to us by the U.S. Congress have been definitely needed and gratefully received. If funding is not restored to this category, the State which has operated in the expection of the availability of these fuel funds will be placed in a serious situation regarding continued electrical service for the remainder of the fiscal year. Future status issues, we believe, should be considered independently of the on-going operations of our government, and we therefore would be sincerely thankful if these fuel resource funds are restored by the Congress.

Over a decade ago, Ponape (then a district at that time) established the Ponape Transportation Authority. The principal purpose for the creation of this Authority was to build a circumferential road around the island of Ponape, a project of great concern to us but for which we could attain little attention within the Trust Territory Government. Over the years, a substantial portion of State and Congress of Micronesia revenues have been devoted to this project, and the road slowly but continually progressed. With OICC support through the Five-Year Capital Improvement Program, the Ponape Transportation Authority received a very substantial boost, and the road has progressed at a much more rapid pace. The State Legislature and FSM Congress assisted through the financing of the smaller bridges and culverts. Now approximately 10 miles of road and a few bridges remain to be constructed.

We sincerely hope that the U.S. Congress will help us attain the necessary funds prior to termination of the Trusteeship for the completion of the project. However, because no new funds were appropriated in FY 1983, the on-going work of the Ponape Transportation Authority will have to be halted if additional monies are not made available soon. This would result in serious disruptions in the work schedules of the Authority and in the suspension of jobs of many of our islanders who are dependent upon the Authority for employment. The indigenous effort of the Ponape Transportation Authority in pioneering a road across the rough terrain of Ponape is an element of pride for our people. We solicit your continued support for this effort and trust you will grant the FSM's immediate request of $850,000 as a FY 1983 supplement to carry this project through the remainder of this fiscal year, and also solicit your assistance in attaining the balance of the project funding in Fiscal Year 1984.

The State of Ponape has been experiencing drought of a highly unusual magnitude. Crops in the State have been seriously damaged and the subsistence economy upon which most of the people of our State are dependent will be seriously affected. Without adequate potable water for household use and sanitation, our people have been placed in the risk of contagious diseases. Because our sanitation facilities in rural areas exist a substandard levels, fear of an outbreak of such infectious diseases has been ever present.

The State Legislature by Resolution has issued a plea through the High Commissioner and FSM President for emergency relief from Federal agencies and other sources. We hope that the Federal agencies will be able to meet the more immediate requirements of our people, but at the same time, we see the need to prepare ourselves for the more lasting effects. Crop lands will need to be replanted, and the fertility of the soil restored. More efficient delivery of water to rural areas and more effective sanitation programs need to be developed. This will require a more concentrated effort on both the CIP side of financing and on the operations side as well. Technicians will have to be sent into the field to develop community awareness of the need for sanitation and to promote

proper farm management and appropriate planting techniques. We trust that your Committee will be receptive to our requests as these requirements are identified and appropriate steps defined.

U.S. Congressional appropriations are the mainstay of State Government operations and infrastructure development. Around these annual grants we have patterned our local revenues to assist and supplement the provision of basic services and to finance a myriad of government projects and programs particular to Ponape State. We are sincerely grateful for the support the U.S. Congress has provided to us over the years and the personal interest you have taken in the welfare of our islands. We hope that these comments will be helpful to you as you review the larger picture of Trust Territory assistance for the remainder of Fiscal Year 1983 and for Fiscal Year 1984.

Kasiano Joseph
Chairman
Committee on Finance
Ponape State Legislature

Feliciano M. Perman
Program and Budget Officer
Ponape State Government

May 5, 1983

The Honorable Asterio Takesy
Deputy Secretary
Department of External Affairs
National Government
Federated States of Micronesia

Dear Deputy Secretary:

The FSM delegation to the U.S. Congress on the FY 1984 budget should be in possession of an April 21, 1983 letter from the State of Ponape relative to our requests for operational assistance for that year. Concern for support of State programs and services are included in that communication, and an increase of $2,226,000 over the original FY 1984 allocation was requested. While we truly believe these increases are essential for a solid State program of financing governmental services and development activities, certain categories of State operations not specifically emphasized will remain very hard pressed, even if the concerns of that communication are fully addressed. Therefore, we are soliciting your help in supporting a request to bring these additional categories closer to adequate levels of funding.

First on our list is the Department of Health Services. As you may have gathered from our urgent plea for supplemental funding for medical referrals for FY 1983, this account is being critically strained. Inability to pay medical bills will seriously jeopardize the credibility of the State and thus the future of the referral programs. Sufficient monies must be provided to this account to protect the health of our people. While efforts are being made to reduce costs, we must also recognize that the expanding State population mandates a certain level of increase annually to this account. We are asking for an additional $157,000 over the April 21 presentation to more fully finance this account.

For proper medical care delivery, medical care facilities must be maintained. Our once new hospital and dispensaries have born the burden of several years of continuous use, and the facilities are beginning to show the obvious signs of age. Our investment in the facilities is considerable, and if we are to protect our investment and insure many more years of active life for the hospital and our seventeen dispensaries, maintenance funds are required. We are asking for $50,000 additional funds to assist the State in this effort.

Without medicine and other requisite supplies, a medical delivery system cannot function. Yet the price of medical supplies is escalating yearly while at the same time our population is expanding and demanding more and more medical services. The affects of the present drought and the fight to prevent and control the spread of contagious diseases could seriously deplete our medical supply inventories. An additional $53,000 is being sought to support this account.

In total, the Department of Health Services is in need of an additional $260,000.

Education is a mainstay of our development efforts. If this country is to grow and propser, it must educate its young. Human development is both the means and the ends of all of our governmental endeavors. Yet, with an expanding student body and rapidly deteriorating inventory of books and supplies, the education program is in jeopardy. It is estimated that an average of $45 per student is required if each student is to have adequate supplies during the school year. There are now about 5,500 children enrolled in elementary schools in the State. Enrollment in the State high school is close to 1,000.

Educational infrastructure, once a priority many years ago, has aged considerably. Most of the 30 elementary schools on Ponape proper and the 5 elementary schools in the Outer Islands are over ten years old. Many of the classrooms at PICS high school date back to 1959. Construction materials used were often insufficient to stand up to the harsh demands of our tropical climate. A systematic and comprehensive program for maintenance of elementary and secondary facilities has never been established. Consequently, the situation has become quite serious.

An additional amount of $422,000 is being requested to support the supply accounts and maintenance programs for the schools of this State.

You may have noticed that the $682,000 of additional requests being sought by this letter are all in the categories of non-personnel accounts so they should not result in the expansion of the government payrolls. We believe that Ponape, which has carried forward government services under the U.S. Administration for almost three decades now, must protect its investments and provide the where-with-all in terms of inventories and supply accounts to meet the legitimate needs of our people. In the past, Federal programs have been used to subsidize these categories of need. But as we are all painfully aware, Federal program support is being substantially reduced, and in the Compact period, this diminished assistance will need to be

merged more fully into operational budgets. Thus we believe it is an appropriate time to develop, within an integrated DOI operations grant, distinct programs of inventory and maintenance support. We trust that you share with us these concerns and will bring forward our needs to the U.S. Congress in the forthcoming budget hearings.

Sincerely yours,

Kasiano Joseph, Chairman
Committee on Finance
Ponape State Legislature

Feliciano M. Perman
Program and Budget Officer
Ponape State

April 21, 1983

The Honorable Tosiwo Nakayama
President
Federated States of Micronesia
Kolonia, Ponape, Eastern Caroline Islands 96941

Dear Mr. President:

We are very appreciative of the opportunity to be able to present our position as regards to the FY-84 budget as proposed by the Department of the Interior.

Our FY-84 budget, as proposed, is $9,049,000, about $197,000 less than our FY-83 appropriation of $9,246,000. Based on the current operating cost, upcoming drydocking of M/S Micro Glory, and taking away of the fuel fund, Ponape State Government will face serious financial set back in fiscal year 1984, which may lead into distruption of essential government services in the area of health, education, shipping operation to the outer-islands, power generation, economic development, protection to life and property, and financial management. In order for the Ponape State Government to continue providing these essential government services, approximately $11,275,000 will be needed in fiscal year 1984.

We are requesting an increase of $2,226,000 over FY-83 appropriation.[1] This is due to increasing cost of medical referrals, cost of medical supplies, annual step increases for the current personnel as well as new personnel, drydocking and insurance for M/S Micro Glory, fuel necessary to maintain constant supply of power throughout fiscal year 1984, anticipated reduction of Federal Grant programs in the area of health and education and anticipated increase in student enrollment in our educational system, implementation of a proper financial management system, upgrading of our broadcast station equipment, reorganization of the Ponape State Court, and additional programs and projects to be undertaken by the Department of Conservation, Resources and Surveillance, previously known as Department of Resources and Development, in the program area of Marine Resources, Lands and Survey, and Economic Development (Small Industry).

Additional programs and projects to be undertaken in fiscal year 1984 include surveying and mapping of over 2,000 parcels of land which have been determined and adjudicated and still awaiting issuance of certificate of title, expansion of the Seaweed Project, Reef Reseeding Project to increase clams, trochus, and oyster populations, enforcement of marine conservation laws, and technical assistance to the people of Ponape in areas of business management, accounting, marketing, etc.

New positions in fiscal year 1984 include 25 in the health services area, 8 in Education, 1 in Broadcasting Services, 11 in Lands and Survey, 13 in Marine Resources, 1 in the Public Auditor's Office, 1 in Planning and Statistics Office, and 3 in Judiciary.

The new positions requested for health services are: one surgeon, two nurse supervisors, four head nurses, five staff nurses, two lab technicians, one pharmacy assistant, four security guards, one assistant hospital administrator, one dental officer, one dental lab technician, and three sanitation technicians. These positions are needed in order to adequately man the main hospital and the seventeen despensaries around Ponape State.

Under Education, eight new positions are requested, three teachers in elementary and one dean of student, one account clerk, one clerk typist, one supply technician, and one security guard for secondary education.

Under Conservation, Resources and Surveillance, twenty four new positions are requested, eleven in Lands and Survey and 13 in the Marine Resources Division. The eleven positions requested for Lands and Survey will help expedite surveying

1 Correct reference is "FY-84 proposed budget".

and mapping of over 2,000 parcels of land which have been determined and adjudicated, but because of limited number of personnel issuance of certificate of title has been very slow. It is sad to say that some of these title holders have died without certificate of title issued because of limited manpower. It is estimated that with the current number of personnel, it will take more than ten years to make final delineation of those properties mentioned above. The thirteen positions requested for Marine Resources are needed for the expansion of the Seaweed Project, Reef Reseeding Project to increase clams, trochus, and oyster populations, and enforcement of marine conservation laws.

The three new positions requested for Judiciary are: one judge, one stenographer, and one clerk. The reorganization of the Ponape State Court, as mandated by Secretarial Order 3039 and the FSM Constitution, will necessitate additional personnel and will also increase other operating costs.

Three new positions are needed in the following areas: one in the Planning and Statistics Office, one in the Broadcasting Services, and one in the Public Auditor's Office. The new position in the Planning and Statistics Office will be responsible for the State Statistics Office.

For more information, please refer to the attached sheet.

Sincerely,

Strik Yoma
Lt. Governor, State of Ponape

May 5, 1983

The Honorable Asterio Takesy
Deputy Secretary
Department of External Affairs
National Government
Federated States of Micronesia

Dear Deputy Secretary:

Following discussions with the National Budget Officer and internal review, the Ponape State Delegation is offering the following requests for inclusion in the FSM presentation to the U.S. Congress for supplemental appropriations for the DOI Operations Grant for FY 1983. In the first months of this current fiscal year, we have been confronted with a radical increase in medical referral expenditures. While this account was initially funded at $425,000, obligations on the books as of March 31, 1983, had reached $447,000. Outstanding bills as of April 30, 1983 amounted to an additional obligation of approximately $400,000. We are doing what we can to trace down the cause of these radical increases, but as you know, greatly fluctuating demands on the referral account are very difficult to predetermine.

A supplementary request of $800,000 is urgently needed to meet current bills and to provide funding to take care of medical referral needs for the remainder of the year. As you may recall during the Yap Leadership Conference, a proposal to set up a separate FSM National referral account for its employees and families residing in Ponape State was shelved because of concern over problems of special advantages which the proposal could have engendered. Instead, an understanding was reached that the FSM National Governmentwould help the State in bearing the burdens of increased medical care demands within the State by providing this category of State operations with additional funding. The State is currently in a very serious financial situation, and to protect the credit reputation of the State, help is urgently needed. We hope the FSM will support our plea for supplemental assistance for our Health Services program.

With the advent of the Compact education programs and upcoming plebiscite, monies were reprogrammed from the FY 1983 fuel reserve fund. As these monies were initially appropriated to meet a very real need for power generation in the States, this important aspect of governmental services will be adversely affected if the monies are not restored. With electrical expansion underway and increased demands developing within the existing system because of the growing urban population and changing life styles, restoration of this particular fund is quite important.

We trust that you will include these urgent items in your supplemental request for U.S. Congressional assistance for FY 1983. If you find the need to acquire more information for either of these supplemental items, please ask us and we will do what we can to supply you with the needed information.

Sincerely yours

Kasiano Joseph, Chairman
Committee on Finance
Ponape State Legislature

Feliciano M. Perman
Program and Budget Officer
Ponape State

May 4, 1983

The Honorable Asterio Takesy
Deputy Secretary
Department of External Affairs
National Government
Federated States of Micronesia

Dear Deputy Secretary:

Following our meeting with the National Budget Officer and OPS staff at the FSM Liaison Office here in Washington, the Ponape Delegation has revised its CIP funding requests for FY 1983 (supplemental) and FY 1984. Justifications for these requests appearing in our April 21, 1983, letter to President Nakayama remain the same except as modified below. Other adjustments are as described within this letter.

Completion of the Circumferential Road was initially requested at a level of $4,750,000, and this figure has been included in FSM working papers on the proposed Congressional presentation. However, as Del Pangelinan may inform you, this figure failed to take into account the necessity of constructing bridges at Enpein, Wone, and Pwok. Estimated costs of construction of these bridges are $900,000, $600,000 and $500,000, respectively. This would require revision of the initial estimation for completion of the road to $6,750,000, or $2 million beyond the original figure. As the road does in fact require construction of these bridges to complete the encirclement of the island, we believe that the addition to the request can be easily defended. To attenuate the effects of this expanded item, the costs may be spread over a two-year period.

An additional request of $150,000 is being added to the construction costs for the hydroelectric project on the Nanpil River. This additional money is being requested to accommodate the concern of the Army Corps of Engineers over the access road to the project. In addition to the need for a good road to transport construction equipment and materials, the road will also serve as the foundation for the pipe extending from the present Nanpil collection site to the generating facilities below. We were told in a briefing with the Army Corps of Engineers in Honolulu that this $150,000 should be added to the total project estimates for upgrading the road.

In addition to the monies identified in the April 21 letter for the Kolonia sewer outfall, funds are needed to provide for individual hook-ups to the main system. The current cholera crisis in neighboring Truk and the continuing drought in Ponape has brought vividly to light the importance of good sanitation, especially in crowded urban areas. The revised figure for sewers is $4,000,000.

Construction of a fisheries complex has long been a priority on our list of economic development projects. Fortunately, we were able to have the original scope of the Five-Year CIP plan expanded to incorporate this particular project. However, cost overruns in other areas have compelled us to reprogram monies from this project to meet immediate needs in other ongoing projects. While the site has been partially filled through dredge materials acquired in connection with the harbor dredging and dock improvements contract, much remains to be done to make this site suitable for vertical construction. As it stands now, the area cannot be utilized and will remain barren or possibly deteriorate if definitive action is not taken to complete the horizontal work. To restore project funding to its initial levels will require an additional amount of approximately

$1,000,000. Inquiries have been sent both to Ponape and to the Territorial Planner to attain more precise figures.

The drought of 1983 has caused massive problems in Ponape, but among the hardest hit areas are the islands in the lagoon which are without ready access to the rivers and watersheds situated on the main island. Limited amounts of water can be brought in by boat to these small islands, but at considerable time, expense and effort. Even during more favorable times, however, the people of the lagoon islands are considerably isolated from the benefits of the major island. Farm products cannot be readily shipped to market. Education, medical care and other governmental services cannot be readily extended to the people of these islands. Attempts to intergrate these lagoon islands into the main stream of Ponapean life are frustrated by lack of access. Tourist traffic to the ancient ruins of Nan Madol on Temwen is restricted. Economic development is severely limited.

With the circumferential road nearing completion, it is an appropriate time to reach the lagoon islands accessible by construction of causeways extending from the main road. The first two of these islands targeted for connection are Temwen and Depehk. We are asking for $200,000 for construction costs, and though this may not be sufficient to cover total costs, we may be able to underwrite the remainder of the costs with local funds.

In reviewing the draft outline of the FSM for CIP funding for Ponape, we notice that our requested funding for Outer Island projects has been deleted. As you know, over the past several years, our leadership has been stressing the need for balanced growth. The concern for rural and Outer Island development was specifically stated in the FY 1983 FSM presentation to the U.S. Congress. We believe an actual budgetary request should reflect the plans made in our verbal presentation to the Congress and feel that the request of $450,000 for Outer Islands infrastructure development for Ponape State is a case in point. The request is being enhanced to $500,000 to include Outer Island airstrips as well as docks and mooring facilities due to the fact that air transportation is very important to the health and welfare of these atolls.

Finally, we are much concerned with the tenuous thread by which our electrical system is fueled in Ponape. The entire Nanpohnmal electrical generating plant is dependent on the continuous operation of a single Mobil delivery truck. If this broke down, the plant would be in very serious trouble. The strength of a chain is measured by its weakest line, and for the power system in Ponape, that link is the fuel delivery system. With the millions of dollars being devoted to electrical improvement in the State, the investment of $200,000 in a reliable fuel delivery system would seem to be a wise decision.

Our revised list of CIP projects, inclusive of already identified projects and those stated above, can be summarized as follows:

	(000) FY 83	FY 84
Circumferential Road and appropriate bridges (6,750)	2,000	4,750
Electrical substation	100	-0-
Electrical generation	-0-	1,500
Hydroelectric Plant and access road	-0-	5,150
Sewers	-0-	4,000
Water system improvements	-0-	1,800
Airport terminal	750	-0-
Fisheries complex	-0-	1,000
Power plant fuel pipeline	-0-	200

Outer islands (airstrips, docks mooring facilities).....	-0-	500
Lagoon island causeways (Temwen and Depehk).....	-0-	200
Total.....	2,800	19,100

While we trust that all these projects will be identified as part of the overall request for the Federated States through your presentation to the United States Congress, we also realize that it is improbable that all projects requested will receive funding. Some may be delayed; others may not be funded at all. The U.S. Congress may ask us to select projects within a greatly reduced ceiling than what is being requested. Thus the FSM will be faced with the difficult task of identifying priorities. We trust that this job, though distasteful, will be undertaken in a spirit of fairness in the choices of project selection and distribution.

In this vein, we would like to emphasize that, in retrospect, the realities of Congressional funding to capital improvement projects over the last five-year period has left Ponape far behind the other Districts both in total funding and in computation of project dollars spent on a per capita basis. Again, in FY 1983, Ponape was left far behind the other States of the Federation in the financing of CIP projects.

Problems in inappropriate scoping of the initial five-year program for Ponape State resulted in major projects being scaled down and in some cases entirely dropped from the package for this State. Foremost among these are the airport extension project, small boat channel dredging in Madolenihmw, and comprehensive sewer development for Sokehs. While engineers may argue that restoring these projects to full scope is not feasible, we must review these comments with an eye toward their affect on the over-all balancing of CIP support among the Districts of the Trust Territory. If it had been known that construction of these projects was not feasible during the initial planning phases of the total Trust Territory program, would not the decision makers have identified other important projects within the State that were both feasible and worthy of U.S. Congressional attention? If there was an inherent feeling in the beginning for the need to balance, at least in broad terms, CIP funding among the Districts, should not this feeling be carried forward until the entire five-year program is completed, substituting, where necessary, relevant projects or improvements to ongoing projects where the initial plans on a particular project prove unsatisfactory?

When the Congress asks for priorities for CIP funding for the remainder of 1983 and for 1984, please remember how little Ponape has received proportinately over the last five years. In so doing, we believe you will see the need to direct efforts to restore a degree of fairness in the course of CIP funding within the Trust Territory and the Federated States. We sincerely hope that your testimony before the Committee of Congress next week will be successful. If there is anyway we can help make your requests for financial assistance before the Congressional Committee members and their staff more persuasive, please do not hesitate to ask. Good luck.

Sincerely yours,

Kasiano Joseph, Chairman
Committee on Finance
Ponape STate Legislature

Feliciano M. Perman
Program and Budget Officer
Ponape State

STANDING COMMITTEE REPORT NO. 273

APRIL 28, 1983

RE: L. R. No. 122-83

The Honorable Edwel H. Santos
Speaker
Second Ponape State Legislature
Fourth Regular Session, 1983

Dear Mr. Speaker:

Your Committee on Finance to which was referred L. R. No. 122-83, entitled:

"RELATIVE TO THE EXTENDED DROUGHT WHICH HAS SETTLED UPON THE STATE OF PONAPE; AND SEEKING HELP FROM THE HIGH COMMISSIONER IN OBTAINING UNITED STATES GOVERNMENT AID, INCLUSIVE OF USDA FOOD SUPPLEMENTS AND OTHER ASSISTANCE IN MEETING THE IMMEDIATE NEEDS OF THE PEOPLE OF THE STATE, AND IN FINDING LONG TERM SOLUTIONS TO THE DEBILITATING EFFECTS OF EXTENSIVE DROUGHTS SHOULD THEY OCCUR AGAIN IN THESE ISLANDS."

begs leave to report as follows:

Travel brochures describe Ponape as the garden isle of the Pacific, an island of lush vegetation and cascading waterfalls. If a visitor were to arrive in Ponape today, he would wonder under what category of fiction he should file such brochures. The land is parched, vegetation dried and yellow, major streams are diminished to mere trickles. But most importantly, the people of this State are suffering. Sufficient water is not available for personal hygiene, much less for the watering of crops. Consequently, the State Division of Agriculture is recording major crop failures and the Department of Health Services, confronted with an outbreak of hepatitis is announcing warnings on the public broadcast station. Agriculture has estimated that current damage to agricultural lands and the time necessary for the agricultural sector to rebuild itself to pre-drought conditions will cost the State over five million dollars in lost production. Unfortunately, much of the value of this crop loss is in subsistence farming, the sector of our economy most vulnerable to such disasters, for these people have no cash reserve to tide them over until their lands can again feed their families. Their security is their land, and their one valuable asset cannot produce. They need help, and they need help fast.

Water is necessary for sanitation, and without sanitation the risk of infectious diseases is greatly increased. Of the value of human life we can place no dollar figure, but that value is of primary concern to all of us. Immediate measures must be taken to help our people.

When the rains come with regularity again, as we truly hope they will, it will be harder for us to focus on the reality of the drought and the dangers that a repetition of the current drought would have on our people. Thus your Committee believes emphasis should be placed in the Resolution on preventive action to be taken now to attenuate the effects of future droughts.

When stretched to their limits as is the case with this current crisis, the weaknesses in our public services become most evident. Leaky pipes which are a mere nuisance in times of plentiful rain have become a critical problem with water resources as scarce as they are today. Weaknesses in our sanitation facilities and in personal habits of hygiene have also been brought to the foreground during this extended dry spell. Deep water wells once used during Japanese times, which have been

left to ruin over the years are now found hopelessly fouled or otherwise unusable.

Equally important are the weaknesses which have been uncovered in government organization and management plans developed to assist this State through crisis situations. These plans need to be modified to provide early detection of an approaching drought crisis, and redesigned to provide the mechanisms necessary to launch conservation measures before the levels of waters have dropped to critical stages. Once plans are rewritten to effectively address crisis situations as they occur, there must be a simultaneous build up of administrative awareness of the existence of such plans and a commitment to carry out the harsh and often unpopular restrictions on water use.

Many public servants have worked long and unselfishly to help our people through this time of crisis. Neighbors are helping neighbors. Communities have banded to together to fight fires and save crops. This sense of public spiritedness is most encouraging, but we could have done much more much sooner.

Now we are deep in the crisis and we need help. This Resolution, as it is being expanded by your Committee, seeks United States, international and foreign aid to help us. Most particularly, we are looking for aid from U.S.D.A in the form of food supplements for those who have lost their crops and thus their livelihood and family sustenance. The Committee has also been made aware of the existence of the Federal Emergency Management Agency which may be able to provide immediate assistance to the State as well. Further research into federal aid and other assistance programs may reveal additional avenues of relief.

This is a time when we must realize that our plight goes beyond the capabilities of our State resources to adequately address. Although your Committee is sponsoring a bill to establish a Drought Assistance Fund at the State level, we recognize that outside help is definitely needed. Our pleas for assistance will travel across the oceans to the United States and other entities who have shown compassion for our welfare. When the assistance comes, your Committee trusts it will be received with the humility and gratitude which is deserving of such a gift.

Your Committee recommends the following amendments to S.R. No. 122-83:

1. Bill title, line 2, after "Commissioner" insert "and the President of the Federated States".

2. Bill title, line 3, after "aid" delete ", inclusive of USDA food supplements" and insert "from the Federal Emergency Management Agency and the United States Department of Agriculture"; further in the line delete "other"; and after "assistance" add "from other United States Government agencies and such international and foreign sources as may be available".

3. Page 1, line 4, delete "is" and insert "has".

4. Page 1, line 5, delete "jeopardizing" and insert "jeopardized".

5. Page 1, line 6, delete "endangering" and insert "has destroyed or severely damaged most of the".

6. Page 1, lines 11 and 12, delete "are becoming" and insert "have become".

7. Page 1, line 16, delete "will be" and insert "are being".

8. Page 1, following line 24 - add:

"WHEREAS, the lack of water on the farms, and in the villages and urban areas has created serious health problems subjecting the people to

substantial risks of contracting hepatitis and other contagious diseases which flourish in areas where proper hygiene and sanitation are not possible; and"

9. Page 2, line 4, delete "and" and insert a comma; after "hardship" insert "and endangerment to their health".

10. Page 2, line 8, after "Commissioner" insert "and the President of the Federated States".

11. Page 2, lines 9 and 10, delete "United States Government".

12. Page 2, line 10, delete "in the form of USDA food supplements" and insert "from the Federal Emergency Management Agency and the United States Department of Agriculture"; further in the line delete "other".

13. Page 2, line 11, delete "programs" and insert "from other United States Government agencies and such international and foreign sources as may be available".

14. Page 2, line 13, delete "is" and insert "and the President are".

15. Page 2, line 16, delete "should they again occur" and insert ", inclusive of the development of comprehensive water management and sanitation systems, to protect against the recurrence of such disasters".

16. Page 2, line 20, after "Micronesia," insert "the President of the United States of America, the Chairman of the United States Senate Committee on Energy and Natural Resources, the Chairman of the United States House of Representatives Committee on Interior and Insular Affairs,".

Your Committee on Finance is in accord with the intent and purpose of L.R. No. 122-83, as amended herein, and recommends its adoption in the form attached hereto as L.R. No. 122-83, L.D.1.

Respectfully submitted,

Kasiano Joseph, Chairman

Annes Lehen, Vice-Chairman

Walter [illegible], Member

Ignacio Rodriguez, Member

Deidge Paterson, Member

Relda Yamada, Member

Dison Gideon, Member

Ambros Senda, Member

Goodyear Panuel, Member

Salim Johnson, Member

Job Micah, Member

April 20, 1983

MEMORANDUM

TO: Lt. Governor, Ponape State

FROM: State Agriculturist, Ponape
THRU: Director, Dept. of C & RS, Ponape

SUBJECT: Total Value of Drought Damage to Major Agricultural Crops in Ponape Island

The estimated total value of drought damage to major agricultural crops in Ponape Island is $5,366,200 (attached Table).

This value represents the total value of crops lost now and in the succeeding months until the pre-1983 drought production level is restored. The length of time required to restore production to the pre-1983 drought level depends on the crops. The value of monthly production was based on figures from "Consumption and Production in the Traditional Sector in the Trust Territory of the Pacific Islands" and our survey of agricultural sales in Kolonia (including the Food Services).

The value of drought damage in the Outer Islands is not included in this report. A separate report will be submitted as soon as we can finish the survey in the Outer Islands. Mr. Kiped Albert left with the field trip vessel today, April 20, 1983. Mr. Kesner Hadley will depart for the Southern Atolls in the scheduled field trip.

Rogelio R. Vega

Table A. Monthly Production of Major Crops in Ponape Estimated Drought Damage, April 1983 Survey, Recovery Period, and Percentage of Total Production.

CROPS	% DAMAGE APRIL 15, 1983	VALUE OF MONTHLY PRODUCTION $1,000.00	NO. MONTHS TO RESTORE PRODUCTION TO PRE 1983 DROUGHT LEVEL	TOTAL VALUE OF DAMAGE $1,000.00	PERCENT OF TOTAL PRODUCTION
Sakau	90	12.5	36	405	4.1
Vegetables	90	11.6	6	62.6	3.0
Root Crops	85	188.5	24	3,845.4	62.4
Breadfruit	80	15.6	36	449.3	5.2
Banana	75	14.5	18	195.8	4.8
Fruits	75	1.3	24	23.4	0.4
Black pepper	60	3.2	12	23.0	1.1
[illegible] (Fresh)	55	40.8	12	269.3	13.5
Copra	55	14.0	12	92.4	4.6
Total		302		5,366.2	

Statement of the Republic of the Marshall Islands

HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE: AT THE OUTSET, I HAVE THE HONOR OF CONVEYING TO YOU THE RESPECT AND REGARDS OF THE GOVERNMENT AND THE PEOPLE OF THE REPUBLIC OF THE MARSHALL ISLANDS AND TO EXPRESS ON BEHALF OF OUR DELEGATION TO THIS HEARING, OUR SINCEREST APPRECIATION FOR THE OPPORTUNITY TO TESTIFY ON BEHALF OF OUR GOVERNMENT ON THE BUDGETARY NEEDS AND REQUESTS FOR BOTH SUPPLEMENTAL APPROPRIATIONS AND FOR THE FISCAL YEAR 1984 BUDGET.

INDEED, WE ARE PLEASED AND GRATEFUL TO BE HERE WITH YOU AND FERVENTLY HOPEFUL THAT OUR PRESENTATION WILL CLEARLY ELUCIDATE HOW SERIOUS AND CRITICAL OUR NEEDS ARE, AND THAT OUR PRESENCE, PARTICIPATING IN THIS IMPORTANT HEARING, CAN RENDER USEFUL INFORMATION THAT WILL ASSIST THE COMMITTEE IN ITS DELIBERATIONS.

MR. CHAIRMAN, I WISH I COULD OPEN OUR STATEMENT BY INFORMING YOU AND YOUR COMMITTEE THAT FISCALLY SPEAKING, THINGS ARE IN AN UNTARNISHED AND EXCELLENT CONDITION IN OUR REPUBLIC AND THAT WITH OUR OWN RESOURCES, WE HAVE BEEN ABLE TO MEET ALL OUR FISCAL NEEDS TO DEVELOP THE REQUIRED INFRA-STRUCTURE AND PROGRAMS NECESSARY TO ACHIEVE SELF-RELIANCE. THAT WOULD HAVE BEEN A BEAUTIFUL AND VERY DESIRABLE OPENING, BUT I BELIEVE IT WILL TAKE SOME TIME AND A GOOD DEAL OF FINANCIAL ASSISTANCE FROM THE UNITED STATES AS OUR ADMINISTERING AUTHORITY BEFORE WE ARE ABLE TO ACHIEVE THAT CONDITION.

ACCORDINGLY, OUR OPENING IS AN ORDINARY ONE, BUT TRUTHFUL IN REFLECTING OUR DIRE NEED FOR YOUR ASSISTANCE. THE FACTS ARE THAT OUR GOVERNMENT IS NOW CRITICALLY CONFRONTED WITH A SERIOUS FINANCIAL CRISIS. THIS SITUATION WAS CREATED, IN LARGE PART, BY A SERIES OF UNFULFILLED EXPECTATIONS BASED ON CALCULATED PROJECTIONS OF FUNDS UNDER THE COMPACT OF FREE ASSOCIATION, APPROVAL OF WHICH HAS BEEN UNEXPECTEDLY DELAYED.

THE FIRST EXPECTATION AROSE FROM THE PLEDGE OF A PREVIOUS U.S. ADMINISTRATION THAT THE TRUSTEESHIP OF OUR REPUBLIC WOULD BE TERMINATED IN 1981, AT WHICH TIME WE ANTICIPATED THAT COMPACT-LEVEL FUNDING WOULD BE AVAILABLE. WITH THAT EXPECTATION, OUR GOVERNMENT NEGOTIATED SOME LARGE, OVERSEAS LOANS TO BUILD BADLY-NEEDED INFRA-STRUCTURAL PROJECTS THAT ARE BASIC TO THE DEVELOPMENT OF OUR ECONOMY AND WHICH HAD BEEN NEGLECTED FOR MANY YEARS. THESE PROJECTS INCLUDE A NEW POWER PLANT AND FUEL FARM FOR MAJURO, WHICH HAD BECOME A VERY DESPERATE NEED, THE ESTABLISHMENT OF AN AIRLINE WITH CONSTRUCTION OF OUTER-ISLAND AIRSTRIPS, ALSO A DESPERATE NEED IN OUR WIDELY DISPERSED COUNTRY, AND THE CONSTRUCTION OF A NEW SEAPORT IN MAJURO.

AS A RESULT OF THESE LOANS, OUR GOVERNMENT NOW FINDS ITSELF WITH $37.1-MILLION IN DISBURSED, LONG-TERM DEBT AND INADEQUATE RESOURCES TO MEET ITS LOAN REPAYMENTS DURING THIS FISCAL YEAR, AND SUBSEQUENT YEARS. OUR DEBT SERVICE PAYMENTS WILL RANGE FROM $2.7-MILLION IN FY 1982 TO $9.5-MILLION IN FY 1984, OBLIGATING 93 PERCENT OF OUR LOCAL REVENUES. THIS OUTFLOW, TOGETHER WITH A PROJECTED OPERATIONS DEFICIT FOR THE CURRENT FISCAL YEAR, FROM CARRIED OVER MEDICAL REFERRALS TO HONOLULU, RESULTS IN OUR GOVERNMENT FACING THE POSSIBILITY OF ENTERING FY 1984 WITH INSUFFICIENT FUNDS FOR ITS NORMAL OPERATIONS.

IN OTHER WORDS, MR. CHAIRMAN, WE INITIATED A MAJOR DEVELOPMENT PROGRAM BASED ON THE COMPACT-LEVEL FUNDING THAT WE HAD BEEN LED TO EXPECT. AND WHEN COMPACT FUNDING DID NOT MATERIALIZE, OUR FINANCIAL PROBLEM WAS INEVITABLE. NEVERTHE-

LESS, THE CRITICAL POWER PROBLEM AT MAJURO WHICH JEOPARDIZED OUR HEALTH CARE SERVICES AND THE WHOLE COMMERCIAL DEVELOPMENT AND OPERATION HAS BEEN COMPLETELY RESOLVED. THE SERVICES TO OUR OUTER-ISLAND COMMUNITIES TO ASSURE THE PEOPLE OF IMMEDIATE MEDICAL ASSISTANCE IN CASE OF EMERGENCY NEED, AND TO INFLUENCE AGAINST THEIR MASS MIGRATION TO EBEYE AND MAJURO HAVE BEEN ESTABLISHED. WE DO NOT WISH TO LOSE THESE ACCOMPLISHMENTS THAT ARE SO VITAL TO OUR PROGRESS AS A NATION.

ADDITIONALLY, MR. CHAIRMAN, APPROPRIATIONS TO OUR GOVERNMENT IN RECENT YEARS HAVE FALLEN SHORT OF EVEN OUR MOST BASIC NEEDS. FOR EXAMPLE, THE COST OF OUR MEDICAL REFERRAL PROGRAM HAS UNFORTUNATELY EXCEEDED APPROPRIATIONS BY MORE THAN $1-MILLION FOR EACH YEAR SINCE FY 1980. THESE LIABILITIES ARE NOT FUNDED AND THREATEN THE ACCESS OF MARSHALLESE PATIENTS TO OVERSEAS HEALTH CARE FACILITIES.

BECAUSE OF INADEQUATE MEDICAL FACILITIES IN OUR OWN COUNTRY, A PROBLEM THAT WILL BE RESOLVED WHEN OUR NEW HOSPITAL IS COMPLETED NEXT YEAR, THE MEDICAL REFERRAL PROGRAM CONTINUES TO BE NECESSARY IF WE ARE TO PROVIDE PROPER MEDICAL CARE FOR OUR MARSHALLESE PEOPLE WHOSE ILLNESSES AND AFFLICTIONS ARE BEYOND THE CAPABILITIES OF OUR LOCAL HEALTH CARE SERVICES. AS VITAL AS THIS REFERRAL PROGRAM IS, WE MUST TAKE STEPS TO REDUCE ITS COSTS, AND WE HAVE ALREADY BEGUN TO DO THIS. BUT GRADUAL REMEDY DOES NOT FULLY ASSURE US AGAINST THE POSSIBILITY OF OUR PATIENTS BEING DENIED MEDICAL CARE BECAUSE OF THE OUTSTANDING DEBT OWED TO HOSPITALS IN HONOLULU. IN CONJUNCTION WITH OTIA OUR GOVERNMENT WILL INITIATE A PROJECT TO MORE EFFECTIVELY MONITOR AND CONTROL THE OVERSEAS MEDICAL CASELOAD. WE EXPECT THIS PROJECT TO HELP REDUCE THE LENGTH AND INTENSITY OF OVERSEAS TREATMENT. HOWEVER, THE ESTABLISHED FACT IS THAT ALLOCATIONS FOR MEDICAL REFERRAL CASES HAVE BEEN INSUFFICIENT TO MEET OUR NEEDS. ULTIMATELY, OUR NEW HOSPITAL WILL OPEN IN LATE 1984, SOLVING THE PROBLEM OF HAVING TO MAKE MEDICAL REFERRALS FOR LACK OF BASIC MEDICAL EQUIPMENT. IN THE MEANTIME, THE MEDICAL REFERRAL PROGRAM IS A COSTLY ONE WHICH HAS CONTRIBUTED HEAVILY TO OUR DEBT.

I WANT TO MAKE IT CLEAR FOR THE RECORD, MR. CHAIRMAN, THAT WE DID NOT INCUR THESE DEBTS BECAUSE OF FRIVOLITIES... WE INCURRED THEM IN ORDER TO PROVIDE MEDICAL CARE FOR OUR PEOPLE, FOR POWER GENERATION AND TRANSPORTATION FACILITIES TO SUPPORT THE ECONOMIC ADVANCEMENT OF OUR COUNTRY. WE INCURRED THESE DEBTS FOR <u>BASIC NECESSITIES</u> THAT HAVE BEEN NEEDED FOR A VERY LONG TIME AND WHICH ARE STILL NOT ADEQUATELY PROVIDED. WE ARE TRYING DESPERATELY TO PROVIDE THEM, BUT OUR FUNDING SOURCES ARE NOT ADEQUATE TO MEET THESE IMPORTANT NEEDS UNDER THE PRESENT FUNDING LEVEL BY THE UNITED STATES CONGRESS.

THE REPUBLIC OF THE MARSHALL ISLANDS FY 1984 SUPPLEMENTAL FUNDING IS DESIGNED TO ALLEVIATE THESE PROBLEMS, TO RESTORE AND MAINTAIN THE GOVERNMENT'S FINANCIAL INTEGRITY, AND TO BEGIN THE DEVELOPMENT OF THE REPUBLIC'S OUTER-ISLAND COMMUNITIES. THIS WILL BE ACCOMPLISHED THROUGH ADDITIONAL FUNDING FOR THE ELIMINATION OF DEFICITS, DEBT SERVICE RELIEF, TECHNICAL ASSISTANCE, SPECIAL OPERATIONS AND MAINTENANCE, THE MAJURO SEWER PROJECT, AND OUTER ISLAND ATOLL PROJECTS.

THE GOVERNMENT OF THE MARSHALL ISLANDS IS TRYING TO RAISE AS MUCH OF THE NEEDED REVENUE AS WE CAN FROM THOSE SOURCES THAT ARE AVAILABLE TO US, BUT THOSE SOURCES ARE NOT VERY NUMEROUS. WE HAVE ALREADY IMPOSED NEW AND HIGHER IMPORT TAX RATES ON MOTOR VEHICLES, ALCOHOLIC BEVERAGES, AND LUXURY GOODS OF EVERY KIND. THESE NEW RATES WERE IMPOSED IN MARCH AND WILL YIELD SIGNIFICANT ADDITIONAL REVENUES. ADDITIONALLY, A REQUEST HAS BEEN MADE TO SECRETARY JAMES WATT TO AMEND

SECRETARIAL ORDER 3039 SO WE CAN RAISE THE TAX RATE ON KWAJALEIN RESIDENTS FROM THREE PERCENT TO FIVE PERCENT. THIS WOULD YIELD ADDITIONAL REVENUES OF $900-THOUSAND AND WOULD ESTABLISH A MORE EQUITABLE TAX SYSTEM IN THE REPUBLIC. WE ASK FOR YOUR SUPPORT OF OUR REQUEST TO SECRETARY WATT.

SO, WE ARE DOING WHAT WE CAN TO CARRY AS MUCH OF THE LOAD AS POSSIBLE, BUT IT IS NOT ENOUGH, AND WE NEED YOUR HELP.

WE ARE REQUESTING ADDITIONAL FUNDING FROM THE UNITED STATES TO HELP US THROUGH THIS DIFFICULT TRANSITIONAL PERIOD BEFORE THE COMPACT GOES INTO EFFECT, AND WE ARE REQUESTING TECHNICAL ASSISTANCE TO IMPLEMENT A FIVE-PART PLAN FOR IMPROVED FINANCIAL MANAGEMENT. THIS PLAN CALLS FOR: (1) AUSTERITY AND COST COSTROL MEASURES, INCLUDING REDUCED PAYROLL EXPENSES: (2) ADDITIONAL INTERNAL REVENUE THROUGH INCREASES IN TAXES AND USER CHARGES; (3) REALISTIC BUDGETING AND CONTROL OF MEDICAL REFERRALS, POL, AND OTHER PROGRAMS THAT ARE DIFFICULT TO MANAGE; (4) FULL SUPPORT OF THE NEW, COMPUTERIZED FINANCIAL MANAGEMENT SYSTEM; AND (5) IMPLEMENTATION OF A PLAN TO GRADUALLY SETTLE ACCOUNTS WITH ALL CREDITORS. AS ALREADY MENTIONED, SOME OF THE ELEMENTS OF THIS PLAN HAVE ALREADY BEEN INITIATED AND PUT INTO EFFECT.

WE ARE ALSO STRUGGLING WITH A DEBT TO THE FEDERAL EMERGENCY MANAGEMENT AGENCY THAT WAS CAUSED BY A HIGH-WAVE DISASTER THAT STRUCK MAJURO IN 1979. THIS PROBLEM IS DETAILED IN OUR BUDGET PROPOSAL, AND WE REQUEST YOUR HELP IN CONSIDERING IT.

THE DEPARTMENT OF INTERIOR IS REQUESTING $3-MILLION FOR SPECIAL OPERATIONS AND MAINTENANCE. THAT IS A <u>REDUCTION</u> OF $5.7-MILLION FROM THE CURRENT FISCAL YEAR'S APPROPRIATION. A REDUCTION LIKE THAT WILL WREAK HAVOC WITH OUR MAINTENANCE PROJECTS AND WILL SURELY CAUSE EVEN HIGHER MAINTENANCE COSTS IN THE FUTURE AFTER OUR ASSETS HAVE DETERIORATED FROM LACK OF MAINTENANCE FUNDING. A REDUCTION THAT IS, WITHOUT A DOUBT, TOTALLY COUNTER-PRODUCTIVE AND MAY EVENTUALLY PROVE MOST DETRIMENTAL TO US. WE ARE SEEKING TECHNICAL ASSISTANCE FOR THIS PROGRAM ALSO. FUNDING IS REQUESTED FOR THE PURPOSE OF HIRING ONE ENGINEER TO DEVELOP A PLAN FOR REGULARLY SCHEDULED, PREVENTIVE MAINTENANCE ON ALL ASSETS. THIS PROJECT WILL INCLUDE INVENTORY ASSESSMENT ALONG WITH THE DEVELOPMENT AND MAINTENANCE OF A CAPITAL ASSETS REGISTER.

ALL OUR NEEDS ARE DETAILED IN OUR PROPOSAL, AND WE ARE PREPARED TO DISCUSS THEM WITH YOU. IN FACT OUR INSTRUCTION WAS TO HAVE THESE NEEDS PRESENTED AND PRIMARILY DISCUSSED WITH YOUR GOOD STAFF MEMBERS. BUT, MR. CHAIRMAN, WE FEEL IT WOULD BE HELPFUL IF WE SUMMARIZE THE AMOUNT OF FUNDING WE NEED BEYOND OUR REGULAR ALLOCATIONS TO BRING THE REPUBLIC CURRENT IN ITS OUTSTANDING OBLIGATIONS ON ITS MEDICAL REFERRAL DEBTS AND LOAN REPAYMENTS FOR FISCAL YEAR 1983 AND 1984. OUR CALCULATION SHOWS THAT WE WILL NEED $3.7-MILLION TO ERADICATE OUR MEDICAL REFERRAL DEBT IN FY 1983 AND $2.3-MILLION TO CARRY ON THIS PROGRAM IN FY 1984. IN ADDITION, WE NEED $7-MILLION TO MEET OUR DEBT SERVICE OBLIGATIONS FOR FY 1983 AND $9-MILLION IN FY 1984. A TOTAL OF ABOUT $22.0-MILLION COMPRISED OF ABOUT $10.7-MILLION IN FY 1983 AND $11.3-MILLION IN FY 1984. HOWEVER, IF THE COMPACT OF FREE ASSOCIATION IS APPROVED DURING FY 1983 THEN THE FUNDING REQUEST ON THESE TWO CATEGORIES FOR FY 1984 WILL PROBABLY BE UNNECESSARY. SO, IN BRIEF, MR. CHAIRMAN, THIS REQUEST IS NOTHING LESS THAN A REQUEST TO END A MAJOR CRISIS THAT NOW FACES OUR GOVERNMENT. WE SHALL BE MOST GRATEFUL IF IT IS CONSIDERED FAVORABLY.

THE GOVERNMENT OF THE MARSHALL ISLANDS IS WILLING TO EXPLORE ANY OTHER ALTERNATIVE FOR FUNDING DEBT SERVICE RELIEF, INCLUDING THE POSSIBILITY OF A LOAN FROM THE DEPARTMENT OF INTERIOR SHOULD THAT APPROACH BE DEEMED FEASIBLE.

FINALLY, MR. CHAIRMAN, I WISH TO MENTION THE TERMINATION OF THE U.N. TRUSTEESHIP. BOTH OUR GOVERNMENTS CONTINUE TO WORK TOWARD THAT GOAL, AND IT SEEMS THAT WE ARE GETTING VERY CLOSE. BUT, IN THE MEANTIME, UNDER THE EXERCISE OF THE TRUSTEESHIP, OUR ALTERNATIVES ARE LIMITED, AND WE HAVE NOWHERE TO TURN FOR HELP EXCEPT TO OUR ADMINISTERING AUTHORITY WHICH IS THE UNITED STATES. WE ARE THEREFORE ASKING FOR YOUR HELP IN GETTING THROUGH THIS TRANSITIONAL CRISIS UNTIL TERMINATION IS ACHIEVED ALONG WITH A MORE STABLE FUNDING BASE FOR THE OPERATION OF OUR GOVERNMENT AND THE LONG ANTICIPATED ADVANCEMENT OF OUR PEOPLE TOWARD SELF-SUFFICIENCY.

ONCE AGAIN, THANK YOU VERY MUCH FOR THE PRIVELEGE AND HONOR ACCORDED OUR DELEGATION IN ADDRESSING THE COMMITTEE AND TO EXPRESS ON BEHALF OF OUR GOVERNMENT AND THE PEOPLE OUR DEEPEST GRATITUDE TO YOU, MR. CHAIRMAN, YOUR HONORABLE COLLEAGUES, THE GOVERNMENT OF THE UNITED STATES AND THE GREAT PEOPLE OF THE UNITED STATES FOR ALL THEIR KIND ASSISTANCE TO US IN OUR NEEDS.

MR. CHAIRMAN, MY DELEGATION WILL BE PLEASED TO TRY TO ANSWER QUESTIONS WHICH YOUR COMMITTEE MAY WISH TO ASK.

THANK YOU.

STATEMENT OF HENCHI BALOS, SENATOR, BIKINI ISLAND

With me are Magistrate Tomaki Juda, Nathan Note, Johnny Johnson and Ralph Waltz, our legal counsel, Jonathan Weisgall, and our independent scientist, Henry Kohn, who is Professor Emeritus of Radiation Biology at Harvard University.

We are very grateful to have this opportunity to come and be here today. We bring you greetings on behalf of more than 1100 people of Bikini.

For many years, we have come to Washington, D.C. to tell the U.S. Government about our problems, concerns and desire, but some people do not seem to care. Last year, on August 24th, we wrote President Reagan expressing our concern about the signed Compact of Free Association and our desire to go back to our homeland. There has not been any response. Two months ago we met with Vice President George Bush and told him that we want to go back to Bikini. We told him, in the presence of U.S. Compact of Free Association negotiator Ambassador Zeder, that we are not happy with the Compact of Free Association because it does not protect our interests.

We did not forget our friends in the Department of Interior. We met with them frequently and made it very clear to them the desire of our people, and what happens? We are still not home. Of course, we realize Administrations change from time to time as well as people in them, but the Government does not change. It is still the United States Government. It is the same government that moved us off our islands in 1946, and it is the same government that lied to us in 1968 about the safety of Bikini and later moved us off again in 1978. And it is the same government that promised to return us to our homeland when it no longer needed our islands for

U.S. nuclear weapons testing programs. We were told by this government when we were moved that our time away from Bikini would be temporary. Where are we today? Thirty-seven years have passed but we are still not home. We have been living on Kili Island since 1948. Kili, often called "prison island", was uninhabited before we were relocated there simply because it was -- and still is -- not a suitable place to live. Kili is only 1/7 the size of Bikini and has no lagoon. In addition to the unsuitable living conditions, Kili is overcrowded today, which makes it even worse.

That is why we are here today. We have come eight thousand miles to talk to you and the honorable members of this committee because we know you care. We know you can help us. We know you can do something to correct what the U.S. did to us. Our desire is very simple and fair. If Bikini remains off limits, we ask the U.S. to continue to take care of us until such time as Bikini Atoll can be safely resettled. We want to remain under the U.S. jurisdiction regardless of what happens to the rest of the Marshall Islands in the political negotiations. In the early 1970's the U.S. encouraged us to go back and live on Bikini Island without being positively certain about the radiological safety of Bikini. In 1978 we were moved off again. We therefore ask the U.S. to provide necessary health care for all of the people of Bikini. We have lost use of the lands, waters and air in the Bikini Atoll since March 7, 1946, and we are being told that we cannot go back to Bikini for at least another 110 years. Some of our islands were vaporized and completely wiped off the face of the earth. We therefore ask the U.S. to compensate us for that irreparable damage it did to us. Lastly, we humbly ask the U.S. to clean up Bikini Atoll so that we can go back and live on our homeland.

Mr. Chairman, the U.S. is walking away from us without fulfilling its promise to return us to our homeland when it no longer needed our islands for atomic and hydrogen bombs tests. The U.S. wants to close the books on Bikini without discharging its obligation to resettle us back in our homeland, leaving us with nothing but a radioactive home, hardship and suffering, empty hopes and unkept promises. The U.S. signed a Compact of Free Association with the Republic of the Marshall Islands, and it is awaiting approval of the Marshallese people, the U.S. Congress and the United Nations. The Compact, if approved, turns over U.S. responsibility of caring for us to the Government of the Marshall Islands. It was the U.S. Government, not the Marshall Islands Government, that ruined and took possession of Bikini and rendered it uninhabitable today. It is unfair to ask the Marshalls Government to step in now and take care of us until we can return to Bikini.

We look to you for help. Please help us to go home. Bikini is our one and only home. We want our children and grandchildren raised and living on the Bikini Island. Our people want to go back to the time when we were self-reliant, sailing from island to island in the Bikini Atoll and living off the resources of the land and the lagoon. We want our dignity back, and our dignity is our land. Our land is our life: to lose one is to lose the other. Please help us not to lose our identity, heritage, and culture. I conclude by quoting to you the words of our elders to Ambassador Zeder at a meeting on Kili Island -- "If you don't hear my words to return me to Bikini, tie my hands and feet and drop me to the bottom of the ocean." We all share that same feeling because we love our homeland. We believe that the country that put men on the moon can easily and physically clean up our islands and put us back on Bikini in a safe environment.

In conclusion, our people remember you for your help and support to us in the past. We hope and pray that some day soon you will visit us on Kili Island so you can hear from our elders how they appreciate you, and to see for yourself the conditions in which we are forced to live.

Thank you.

STATEMENT OF JONATHAN M. WEISGALL, COUNSEL TO THE PEOPLE OF BIKINI

Thank you for providing the people of Bikini an opportunity to testify before you.

The areas I would like to discuss relate directly to the outcome of political negotiations between the U.S. and Marshall Islands Governments on Section 177 of the Compact of Free Association, so it is important first to understand the status of those talks.

At this time last year, the U.S. and Marshall Islands Governments were on the verge of signing a Section 177 agreement under the Compact of Free Association that would define -- and limit -- U.S. responsibilities with respect to the Bikini people once the Trusteeship terminates. Five days later, on May 30, 1982, such an agreement was signed. The people of Bikini were excluded from these negotiations, leaving the two governments to resolve their fate. One government -- the United States -- caused the damage at Bikini and the suffering of the people. Its goal was to walk away from its obligations to the people, terminate the Bikinians' lawsuit in the U.S. Claims Court and bar future access to U.S. courts by Bikinians seeking to have their atoll cleaned up. The other government, the Marshall Islands, did not cause the problems at Bikini and cannot solve those problems. It was, and is, in desperate financial condition, and its main goal was -- and still is -- to obtain the high levels of funding offered to

it by the United States. One government sought to limit its liability and responsibilities, the other to solve its financial problems. Neither represented the Bikinians' best interests, and the Bikinians were excluded from this process.

Less than five years ago, a "Statement of Understanding," signed by the Undersecretary of the Interior, Trust Territory High Commissioner and Director of what is now the Office of Territorial and International Affairs, stated that the "Government of the United States considers itself generally responsible for the well being of the Bikini people and their descendants. . . ."

The signed Section 177 agreement does not reflect this promise. Indeed, it reflects exactly the opposite. First, the agreement does not provide for the cleanup of Bikini, and it would bar a lawsuit to force such a cleanup. The U.S. Government took and used Bikini, property entrusted to its care by the United Nations, and it should repair that property and return it to its rightful owners in its original condition. Second, the Section 177 agreement purports to empower the Marshall Islands Government to espouse all the Bikinians' legal claims -- past, present and future -- against the United States. This is neither fair nor just and is of questionable legality.

Third, despite the specific provisions of Public Law No. 96-205 to provide a health care program for the people of Bikini, Enewetak, Rongelap and Utirik, the Compact provides funds directly to the Marshall Islands Government to provide for the health needs of all the Marshallese people. Lastly, the negotiations over compensation have been troublesome, to say the least. Of the sum originally offered by the United States to the Marshalls Government to settle all radiation claims, 49% was allocated to Bikini. When the

Marshalls Government reduced that percentage to 25%, the United States increased its offer with the clear understanding that a large part of this sum would go to Bikini to help restore the original percentage. The Marshalls Government failed to do this, the United States apparently did not care, so the two governments went ahead and signed the Section 177 agreement last May. The Bikinians are extremely dissatisfied with the agreement. Negotiations were reopened last December, but no agreement has yet been reached.

It is within this context that the people of Bikini appear before you. Let me turn now to the matters of concern to the Bikini people over which this Subcommittee has jurisdiction:

A. Resettlement Trust Fund

The Resettlement Trust Fund, recommended by this Subcommittee and passed by Congress last September, provides for "the relocation and resettlement of the Bikini people in the Marshall Islands, principally on Kili and Ejit Islands," as set forth in Public Law No. 97-257. In light of political developments over the last year, the Bikini people would like to explore again the possibility of resettlement outside the Marshall Islands, in an area under U.S. jurisdiction, including specifically Wake, Midway and the state of Hawaii. Some of these options were explored briefly three and four years ago, but developments over the Compact and the Section 177 agreement have led the Bikini people to reconsider these possibilities. Clearly, any move of this kind would require close coordination with this Subcommittee and the executive branch, and I am therefore not requesting a wholesale change in the trust to permit resettlement outside the Marshall Islands. All that the people request at this time is a

statement in the Appropriations Committee's report to the effect that the trust can also be used to explore the possibility of resettlement outside the Marshall Islands.

B. Bikini Feasibility Study

Pursuant to Public Law No. 97-257, I have been working with the Interior Department's Office of Territorial and International Affairs to establish a committee to provide a study on the feasibility and cost of cleaning up Bikini Atoll. This cross-disciplinary study, chaired by Professor Henry Kohn, Professor Emeritus of Radiation Biology at the Harvard Medical School, involves questions of radiation, soil science, hydrology, ecology, engineering, nuclear waste disposal and law. The committee's representatives come from the U.S. Government-funded Lawrence Livermore Laboratory as well as from the private sector, including Harvard University, Cornell University, the University of Hawaii and the BDM Corporation in McLean, Virginia. Professor Kohn will discuss the committee's work and upcoming schedule.

We do not know at this time whether Bikini can physically be cleaned up or, if so, what the cost will be. However, in light of this Administration's unwillingness to promise to clean up Bikini, the Bikini people request the Appropriations Committee to provide in its report that, under appropriate circumstances, the Resettlement Trust Fund can be used to help pay for the cost of cleaning up Bikini. What those appropriate circumstances are, of course, cannot be defined now, but one example would be a situation in which the Congress, faced with ongoing budget constraints, might be willing to fund part, but not all, of a cleanup effort. Under these circumstances, it might be appropriate to use some of the income and/or corpus of the Resettlement Trust Fund to supply the remaining funds.

C. Health Care

More than three years ago, Congress passed and the President signed Public Law No. 96-205, calling for the Secretary of the Interior to create a medical care program for the people of Bikini, Enewetak, Rongelap and Utirik, as well as for the people of other atolls who may be found to have been affected by the U.S. nuclear testing program in the Marshall Islands. The problem in implementing the law is that the Government of the Marshall Islands has continuously insisted that the health care bill must be construed to cover all the people of the Marshall Islands. To my knowledge, there has been no finding by the U.S. Government that Marshallese people other than those of Bikini, Enewetak, Rongelap and Utirik have been affected by the nuclear testing program.

The Congress ordered the Secretary of the Interior to submit to it by January 1981 a plan to implement the law. No such document was ever presented, because the executive branch decided to implement the law under the aegis of the Section 177 Agreement to Compact of Free Association. Under that agreement, the United States will agree to pay $2 million annually to the Government of the Marshall Islands for fifteen years to support a Marshall Islands-wide health care program. The House Committee on Interior and Insular Affairs, frustrated with this lack of progress, recommended on March 15, 1983 that the law be implemented on a four-atoll basis.

While Public Law No. 96-205 remains a political football, the intended beneficiaries have received no benefits from it. Three Bikini people died in a one-week period last month. At least two of these three people, a two-year old and a child who died at birth, would probably be alive

today if there were only a modest level of funding available to implement this law.

A modest health care program for the Bikinians on Kili would cost $207,000 for FY 1984. This program would consist of the following components:

1. Improve Medical Services on Kili

Kili is now served by a health aide who does not have substantial medical training and must work without basic medical supplies. The "dispensary" is a room in his house where he stores some over-the-counter medicine. Kili needs a dispensary, stocked with adequate drugs, infirmary equipment and better supplies, including a refrigerator and power system for storage of drugs. Total estimated cost: $47,000.

2. Doctor Visits

Bikinians on Kili and elsewhere should receive regular, periodic visits by a doctor and a dentist. In addition, funds should be available to fly a Majuro doctor to Kili in case of emergency. The program should begin with a physical examination of each Bikinian to establish medical history and records, detect any latent problems and deal with existing or recurring illnesses or symptoms. For example, many people from Kili suffer from asthma and other respiratory problems which currently need attention. The examination should include eye, ear and dental checks as well as a general physical evaluation, with special attention to those Bikinians who lived on Bikini between 1969 and 1978. Total estimated cost: $100,000.

3. Medical Referrals

Funds should be available to refer those patients in need of secondary and tertiary care to hospitals outside

the Marshalls. The Government of the Marshall Islands has traditionally assumed these costs, but the Tripler Army Medical Center in Honolulu has cut back severely on medical referrals and even sent patients back to the Marshalls due to heavy indebtedness by the Marshalls Government. Total estimated cost: $60,000.

The only food support program currently in effect for the Bikini people living on Kili and Ejit Islands is the U.S.D.A. Food Distribution Program (formerly called the Needy Family Program). The food and administrative costs for this program are funded by U.S.D.A. on a year-to-year basis based on requests made to it by the Government of the Marshall Islands. According to Trust Territory records, the following food items are supposed to be distributed to each person per month:

Rice	16 pounds
Flour	2 pounds
Shortening	1 pound
Meat	4 cans
Evaporated milk	4 cans
Canned fruits	3 cans
Canned juice	2 cans
Canned vegetables	2 cans

As a result of a recent Trust Territory nutritional survey on Kili, the current distribution will be shortly revised to comply with recommended U.S.D.A. nutritional allowances. This will result in increases in distribution of meat (4 to 6 cans) and evaporated milk (4 to 8 cans) and distribution of a new product, sweet potatoes (4 cans). U.S.D.A. funds are available for the administration of this program for the balance of this fiscal year.

The U.S.D.A. Food Distribution Program is not intended to provide all of a person's daily nutritional needs; it is meant only to supplement the existing diet. Unfortunately, since Kili and Ejit supply at best 5% to 10% of the nutritional

needs of the people living there, the U.S.D.A. food constitutes almost the entire daily food intake for these Bikinians. In short, the U.S.D.A. program does not go far enough to create a balanced diet for the Bikinians living on Kili and Ejit Islands.

It is for this reason that the Administration considered a $264,000 request for FY 1983 to pay for a supplementary feeding program and support costs for Kili and Ejit. This request, however, was eventually deleted from the Administration's FY 1983 budget request, and it is not contained in this year's request either. I believe such a program is justified and that it should be modeled after the Enewetak supplemental food program, pursuant to which a contractor supplies supplemental (non-U.S.D.A.) food on a regular basis to the Enewetak people.

If the reason for the deletion of this request is that the Administration feels that the Bikinians should obtain their own food now under the Resettlement Trust Fund, I would argue that the purpose of that trust is exactly as stated -- resettlement and relocation. Its purpose is not survival. The U.S. Government spent $105 million to clean up Enewetak Atoll. It passed a law providing up to $25,000 per person for the people of Rongelap and Utirik injured by U.S. nuclear testing. It did not then turn around and say that these people should take care of their own food needs, and it should not do so here.

Thank you.

STATEMENT OF HON. HARUO N. WILLTER, MINISTER OF ADMINISTRATION, REPUBLIC OF PALAU

Mr. Chairman and distinguished members of the Committee, I am honored to appear before this Committee once again to testify on behalf of the Government of the Republic of Palau for Fiscal Year 1984 funding requirements.

With your permission, before I begin, I would like to submit for the records the names of the Palau delegation to these hearings.

Mr. Chairman, let me begin by thanking this Committee and the U.S. Congress for appropriating over $4.5 million for the Republic of Palau as add-ons to the Fiscal Year 1983 budget request submitted by the Department of Interior.

Let me turn now to the Republic of Palau's funding request for Fiscal Year 1984. I will begin with our most important need: infrastructure. I do not need to stress the importance of an adequate infrastructure to economic development. But what I do need to make a case for is the installation of an infrastructure in Palau that is long overdue and must be completed without further delay.

On April 27, 1979, the Naval Officer in Charge of Construction, Marianas, issued a memorandum to the Chief of Naval Operations regarding infrastructure requirements for Palau. This is not a classified document and you and your staff may be quite familiar with it. I have a copy with me today that I invite you to examine and that I ask be inserted into the Committee record and Committee report. I think it is helpful to use as a basis for our budget request for it adds credibility to our claims. For years we have argued for a restoration of the infrastructure that was in place prior to World War II. But today we can use a document prepared by the

United States military to substantiate our claims of the need for roads, docks, an electrical system, etc.

According to the Navy memorandum, the "design and construction of the Babelthuap road system is recognized as being first priority for the redevelopment of this island that was used during the Japanese occupation for agriculture and had an extensive transportation network." The Navy O.I.C.C., after careful analysis of needs, recommended that 53 miles of hard surfaced, all-weather roads be installed in Babelthuap. We endorse this proposal and we ask that the project begin immediately and that funding for A & E be provided in FY 84. The tremendous agricultural potential and tourism potential of Palau can only be tapped if this road is built. All of us in the Pacific talk about building our economies, but believe me, Mr. Chairmen, the only way we in Palau can build our economic base is to open up our greatest natural resource, Babelthuap. Over 8,000 of us live on the tiny 3.5 square mile island of Koror while 90 percent of the 140 square miles of Babelthuap remains uninhabited and untapped: Under the compact, there will be a road constructed, but we want that project to begin now to make us less dependent upon U.S. grant.funds in the future. The road project for Babelthuap is the most important capital improvement need in ALL OF PALAU.

An equally important priority for Palau is an electrical transmission system for the island of Babelthuap. As you may know, the Republic of Palau completed negotiations with the International Power Systems, Ltd. (IPSECO) for the installation of a 16 megawatt power plant. The project is similar to the one now completed in the Marshall Islands. On our own initiative, we have procured a power system that will meet our electrical needs for the next decade and will be a major

attraction to foreign investors. But we need for that power to be distributed to Babelthuap for it to be fully functional. Under the Compact there will be a road but it will be virtually useless unless there is electricity to Babelthuap to power the hotels, shops, and homes that go along with the road. Once the IPSECO 16 MW power station is operational we intend to submit a request for $5 million in 1985 FY for the purpose of financing the construction of 53-mile transmission lines throughout 10 states in Babelthuap. We cannot attract foreign investors to Palau if they have no choice but to rely on their own small inefficient electrical generators. Although the 5-year C.I.P. programs provided for upgrading the Koror system, already that power supply is insufficient to meet our growing demands and it does not provide the transmission of that power to Babelthuap. At present we are unable to provide power to new homes and businesses being built and we need additional 3,600 KW to do so.

Another priority capital need of Palau that was identified by the O.I.C.C. in his memo is in the area of health care. Although we have received funds for the renovation of our existing hospital, that does not meet our total health care needs. Our present hospital, as one of our leaders put it, is a health hazard. The unsanitary conditions and shortage of modern equipment in the hospital in Koror can only be partially overcome by the funds appropriated last year for renovation. A new hospital is not only important to Palauans but should be a priority for the United States. The longer we wait to construct such a facility, the more it will cost and the more the sick and the people of Palau must suffer. And the more it will cost to send our citizens to Guam and Hawaii because our hospital cannot meet their medical needs.

Mr. Chairman, I am submitting budget justifications for several other capital improvement projects which I respectfully request this Subcommittee to carefully consider. Together with the road project, the hospital project and the electrical power project, they constitute the minimum health and welfare requirements of Palau. Before we can enter into a new political relationship with the United States we must have in place an adequate infrastructure.

In terms of funding for government operations, I must highlight four special requests. First, the Republic of Palau requests $1.5 million for transition needs. Of that total, there must be $1 million allocated for the surveying and recording of land boundaries. This project is crucial to the implementation of the Compact of Free Association. Also included in that total is $500,000 for the actual costs of implementing the Compact including any continuing negotiations that must occur between the U.S. and Palau. Second, the Republic of Palau requests $500,000 to finalize and implement the economic development plan that is required of Palau before the Compact can take effect. Third, Palau requests $2 million to operate and maintain our hospital, roads and other capital structures. In Fiscal Year 1983, the entities of the Trust Territory received a total of $8.9 million for O & M. Palau's share was only $1.2 million, much less.than was needed. To more adequately and equitably meet our needs, a total of $2 million should be allocated for O & M. Finally, we request $200,000 to help us pay for the cost of the Compact Plebiscite. As you may know, Palau received $300,000 to conduct the political education program and the plebiscite under the assumption the plebiscite would be held in early December, 1982. The plebiscite was delayed, however, two full months and

the delay resulted in an added $200,00 to the cost of the project. These costs were totally unavoidable.

Finally, Mr. Chairman, the Government of the Republic of Palau would like to go on record supporting the $13.7 million request required to fund all future payments under the Prior Services Program of the Trust Territory of the Pacific Islands and the successor governments.

With these general comments, I wish to insert into the records the detail justifications for the Republic of Palau's fiscal year 1984 budget request. And if you have specific questions you wish to ask, we will try to answer them.

TERRITORIAL AND INTERNATIONAL AFFAIRS

STATEMENT OF PEDRO A. SANJUAN, ASSISTANT SECRETARY OF THE INTERIOR FOR TERRITORIAL AND INTERNATIONAL AFFAIRS

ACCOMPANIED BY:

JANET McCOY, HIGH COMMISSIONER
NEIMAN CRALEY
CHARLES JORDAN
DAVID H. HEGGESTAD, BUDGET OFFICER
ERNEST C. DOWNS, POLICY ANALYST

PREPARED STATEMENTS

Senator McCLURE. Turning now to a general review of the administration's 1984 budget request for OTIA, we will receive testimony from Mr. Pedro A. Sanjuan, Assistant Secretary for Territorial and International Affairs.

We welcome you before this committee again, Mr. Sanjuan, and invite you to call your colleagues to the table and introduce them to us. In the interest of time, we will then proceed with the questioning. Your full statements will be made a part of the record at this point.

[The statements follow:]

STATEMENT OF PEDRO A. SANJUAN

Thank you for inviting me to discuss the Administration's budget estimates for Territorial and International Affairs for fiscal year 1984. Our total estimate for 1984 funding is $209,939,000, including $59,800,000 for the advance payment of estimated taxes collected in the Virgin Islands and Guam. Because these payments are fixed by law, I shall not address them in this prepared statement. The remaining portion of the budget, $150,139,000, would provide direct grant assistance to the Trust Territory of the Pacific Islands, the territories of Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands. In addition to the direct grant assistance, the budget provides funding for the Office of Territorial and International Affairs, the technical assistance program, and initiation of a territorial development fund designed to expand economic development in the territories.

Our budget process for the territories is in a state of transition. We are moving from a period when we passively channeled grant funding to the territories, with limited Federal oversight on the use of that money, to a new process by which the Office of Territorial and International Affairs will take an active role in assuring that appropriated money is used responsibly, effectively, and in a timely fashion.

We are instituting a new management plan that calls for more active involvement in the flow of Federal dollars to the territories and places greater emphasis upon long-range planning by the territorial governments. Our technical assistance program will be the cornerstone of this new management approach. This increased responsibility for the Federal government does not encroach on the self governing nature of territorial governments. The new management plan is based on the fact that serious fiscal problems exist in more than one of the territories, and that it is our responsiblity to assist in correcting those problems.

Our fiscal year 1984 budget request for the territories is consistent with this new management approach. Federal dollars will not be requested by this Administration based upon what have often appeared in the past to be perfunctory justifications. We are requiring that budget requests be fully analyzed and thoroughly justified, if they are to be included in our budget. We expect that well planned and justified requests will result in responsible program execution and project management. Our technical assistance program will expand to meet whatever needs exist to improve the budget process--from development of estimates to expenditure of Federal funds.

ADMINISTRATION OF TERRITORIES

The Administration of Territories account contains a request for $62,150,000. This request would provide funding for Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Office of Territorial and International Affairs, besides funding a technical assistance program that benefits all the territorial governments. In all cases, we are seeking increases over our request for fiscal year 1983. Additionally, funds would be available for start-up and organization costs of a new territorial development fund.

$4,038,000 REQUESTED FOR GUAM

For Guam, we are seeking $4,038,000. These funds would be used for the initial phases of a project to improve water, sewer, drainage, and road facilities along the central artery through Guam's hotel district, in order to accommodate planned hotel expansion. Expansion of the hotels along Tumon Bay is vital to Guam's tourist industry. Already, hotel occupancy exceeds 90

percent, and signs point to a rapidly expanding tourist industry. Because our proposed territorial development fund would focus on lending for economically viable projects, we do not seek additional funds for Guam's Economic Development Loan Fund.

$20,900,000 REQUESTED FOR AMERICAN SAMOA

For American Samoa, we are seeking $18,900,000 for government operations, the same as our request last year. American Samoa has evolved to a point where only 38 percent of government operations costs are funded directly through the Interior grant. Any decrease in real dollars due to our request for level funding should be readily absorbed within the total operations budget.

Our budget also seeks $2 million in construction funds for repair and renovation of power generating equipment. With these funds and a like amount provided in fiscal year 1983, emergency repair of generating equipment will allow time to implement a long-term solution to a chronic power supply problem in American Samoa. Governor Coleman has been working with power engineers to develop options and plans for a realistic solution to these problems. As with Guam, we are not seeking any further capitalization of American Samoa's Economic Development Loan Fund.

$1,500,000 REQUESTED FOR THE VIRGIN ISLANDS

Our budget seeks $1.5 million for the second of two Juvenile Detention Centers in the Virgin Islands. The first was funded in fiscal year 1983, and progress is being made on its construction. These centers are a response to a serious juvenile crime problem in the Virgin Islands.

$30,742,000 REQUESTED FOR THE NORTHERN MARIANA ISLANDS

For the Northern Mariana Islands, we are requesting $30,742,000. Funding mandated under the Covenant amounts to $25,742,000. This amount is established by indexing the guaranteed $14 million in 1975 dollars to current prices by using the Gross National Product Implicit Price Deflator. This year's request is $1.6 million above the corresponding amount for fiscal year 1983.

We are also seeking $5 million to continue construction of the new hospital on Saipan.

$900,000 REQUESTED FOR TECHNICAL ASSISTANCE

The budget seeks $900,000 in technical assistance funds. These funds would enable us to expand our efforts in the areas of financial management, including budget and accounting systems development, public works management, health, education, communications, and public safety planning.

$2,070,000 REQUESTED FOR THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

For the Office of Territorial and International Affairs, we are seeking $2,070,000, of which $700,000 shall be earmarked for technical assistance staff. Small increases are required in several areas to cover normal operations of the office.

$2,000,000 REQUESTED FOR INSULAR DEVELOPMENT FUND

We are requesting $2 million for organizing a new insular development fund, including staffing and equipping the offices and performing the studies of project proposals that will enable the fund to begin lending at the beginning of fiscal year 1985. Approximately $1 million will be needed for salary costs, office rental expenses, equipment purchase and lease, and travel to the

territories. Another $1 million will be needed for the use of outside consultants to help set up fund operations and to begin the process of project development. A central task to be accomplished during fiscal year 1984 will be the preparation of a development strategy for each territory. This strategy will make use of existing development plans and will develop priorities among public sector and private sector projects. The strategy will be specific and will include projects for each territory to be fully justified, prepared, and ready for signature of loan documents as soon as loan funds are available in fiscal year 1985.

TRUST TERRITORY OF THE PACIFIC ISLANDS

For the Trust Territory of the Pacific Islands, we are requesting $87,989,000, a 16.5 percent increase over our request for fiscal year 1983. These funds will be used for operations support of the three constitutional governments of Palau, the Marshall Islands, and the Federated States of Micronesia; operations of Trust Territory Headquarters, including the costs of the satellite communications program, operations and maintenance, and the claims contingency reserve; operations of the College of Micronesia; support of the people of Enewetak; continuation of our commitment to provide funds for the relocation of capitols; and additional funding to cover project shortfalls in the multi-year capital improvement program.

The total operations portion of the Trust Territory request is $69,369,000, and is summarized as follows:

Federated States of Micronesia	$36,900,000
Republic of the Marshall Islands	10,900,000
Republic of Palau	10,100,000
Trust Territory Administration	4,419,000
College of Micronesia	1,500,000
Operations and Maintenance	3,000,000
Satellite Communications	1,000,000
Claims Contingency Reserve	750,000
Enewetak Support	800,000
TOTAL OPERATIONS	$69,369,000

Other funding for the Trust Territory includes $9,600,000 under the capitol relocation account and $9,020,000 under the capital improvement projects account. The capitol relocation funding is part of a total commitment to provide $21 million to the new Micronesian governments to establish capitol facilities. In fiscal year 1982, $2.9 million of this commitment was appropriated for initial design work on the capitols. This amount was distributed to the three governments with $2.1 million going to the Federated States of Micronesia and $0.4 million each to Palau and the Marshalls. New capitols are viewed by the governments as tangible signs of national unity and represent high national priorities. Of the amount requested, $2.6 million is for the Marshall Islands and would fulfill our $3 million commitment to that government. For the Federated States of Micronesia, we are requesting $7 million for initial construction. With this appropriation, a total of $9.1 million out of a commitment of $15 million will have been provided. The Republic of Palau has not resolved site selection questions and is not yet in a position to be able to use construction funds. We expect to fulfill our $3 million commitment to that government as soon as possible.

For capital improvement projects we are seeking $9 million. We would fund water systems development in Truk as well as in Ponape and Yap, at a total of $5.1 million; general purposes airport terminals in Palau, Kosrae, Ponape, Truk, and Yap, at $600,000 each, and the relocation of a dredge site in Palau at $920,000.

Finally, our budget proposes $800,000 for support of the Enewetak people. A small support program and grove maintenance is required until the new communities become established and the new coconut trees become productive.

Mr. Chairman, that concludes my summary of the fiscal year 1984 budget proposals for the territories. I shall be pleased to answer any questions you may have.

STATEMENT OF JANET MCCOY

I am pleased to have the opportunity to appear before your Subcommittee to present the Trust Territory's appropriation request for fiscal year 1984, and to report to you on recent developments in the Trust Territory. First, let me introduce to you members of my staff who are with me today to provide more detailed information in areas of particular concern. With me today from Saipan are former Congressman Neiman Craley, now Special Assistant to the High Commissioner; Rodney Adelman, Director of Budget; Chuck Jordan, Director of Planning and Statistics; Dan Flaherty, Director of Finance; and, Eloy Inos, Deputy Director of Finance.

Last year, I began my statement with a short commentary on the progress of political developments in the Trust Territory. This progress is continuing, making possible further reductions in Trust Territory Headquarters staffing and funding. A political education program has been completed in Palau, and the proposed Compact of Free Association was solidly approved by the voters. A political education program in the Federated States of Micronesia is now in progress, and a plebiscite there is scheduled for June 21. A similar program has begun in the Marshall Islands, and progress there is being made on final resolution of several unsettled issues concerning the Compact. However, not all of the problems facing the Trust Territory can be solved through political means.

All of the islands within the Trust Territory are now experiencing one of the worst droughts in recent years. However, with the ready assistance of the U. S. Navy, FEMA, and others, we have taken steps to alleviate some of the problems caused by the drought. At this point, a little help from Mother Nature would be appreciated by all of us.

Another serious problem facing us is the cholera epidemic in Truk. We have dealt with and responded to this crisis in compliance with the requests from the Governor of Truk and the President of the Federated States of Micronesia. We have been able to provide the Government of Truk with medical assistance from our own headquarters staff, and we were able to serve as local coordinators of the efforts undertaken and coordinated by Mr. Sanjuan's office in Washington, D. C. In this way, we saw that Truk received the help it needed from the World Health Organization, The Center for Disease Control in Atlanta, the U. S. Navy, various other U.S. Government agencies, the State of Hawaii, and the territory of Guam. Some of this assistance was in the form of medical and sanitation personnel. In addition, many medical and sanitation supplies were provided by those groups, as well as by organizations in other parts of the Pacific, the United States, and Eastern and Southeast Asia. Considering the number of very helpful organizations that were willing to be of assistance, I am happy to say that the coordinating efforts of my office and Mr. Sanjuan's office were very effective. While the problem is still serious and will continue for some time, we believe that everything that can be done is being done to control and wipe out this disease. We wish to recognize and commend Governor Aten and his staff and the people of Truk for the way in which they mobilized against and attacked this very serious disease. I am prepared to present a more detailed report on the cholera problem during or after these hearings, and have available for viewing a video tape which vividly shows our eradication and prevention efforts.

Also, the deterioration of infrastructure and other permanent facilities is a serious problem throughout Micronesia. The severe climatic conditions in Micronesia contribute to this problem, in addition to the often-cited lack of maintenance. The special FY 1983 appropriation of $8.7 million should go a long way in helping to alleviate some of those maintenance problems. Each of the Micronesian governments is now in the process of developing a complete plan of action for use of their share of the special operating and maintenance funds, based on the operations and maintenance study prepared by a team of experts in May, 1981. The funds provided in FY 1983, along with our FY 1984 request for an additional $3 million, should allow the Micronesian governments to implement their operations and maintenance plans.

However, this year's news from the Trust Territory is not all bad, as some would lead you to believe. During the past year, satellite communications have come to Micronesia. A COMSAT earth station is on line in the capitol of each of the three Micronesian governments. A fourth station is expected to be operational this week in Truk, the most populous area within the Trust Territory, and all seven COMSAT earth stations are scheduled to be operational by the end of this fiscal year.

The first financial management computer system has been placed in service in the Republic of Palau, as part of a technical assistance project of the Office of

Territorial and International Affairs. Palau expects to be handling their own payroll, budget reporting, and other financial affairs within the next several weeks. The project will be expanded to include the other governments to enable them to have more accurate and timely financial information in order to better control and utilize their financial resources.

All of the ships previously owned by the Trust Territory government have been turned over to the Micronesian governments, and we continue to turn over excess personal property to them, as it becomes available. With funds provided in FY 1981, the Enewetak Motor/Sailer has been completed. Under the initial supervision of an American captain, the motor/sailer last week set sail for Enewetak with its Enewetakese captain and crew, who were also involved with its design and construction. With funds provided in the FY 1983 Supplemental Appropriation, we have concluded a contract with an American firm for the manufacture and delivery in November of six fire trucks. The fire trucks will have structural fire, brush fire, and crash and rescue capabilities, and will come with a variety of fire-fighting equipment, as well as a two-year supply of spare parts and maintenance supplies. We are continuing our progress with the capital improvements program, and funding is being requested in FY 1984 to continue this program.

We have strongly supported the requests of the Micronesian governments to have them become direct grantees for Federal grant programs, and we are working with Assistant Secretary Sanjuan on a proposed Secretarial Order that would resolve this problem in the very near future. In coordination with Assistant Secretary Sanjuan's office and the State of Alaska, we have arranged for a 13-week law enforcement training program, beginning in July, for the top 36 officers from the various Micronesian governments, to be held at the Alaska State Trooper Academy.

We were pleased to have the visit of several Members of Congress and staff during the past year, which provided them with the opportunity to see first-hand some of the progress being made in the Trust Territory. We are also very appreciative of the time that many of you have devoted to understanding the problems facing both the Trust Territory government and the Micronesian governments.

During my own trips through the Trust Territory, it became apparent to me that there is a great deal of foreign investment in Micronesia, but, to my way of thinking, not nearly enough American investment. For that reason, I recently contacted the Overseas Private Investment Corporation (OPIC) to see if the three Micronesian governments would be eligible for their assistance after the Trusteeship is terminated. The answer was affirmative and I have recently had the pleasure of touring all of the Trust Territory with their Executive Vice - President and General Counsel. In addition to that, it certainly is a well-founded belief that tourism is now and will continue to be one of the best economic development prospects in Micronesia, so, in addition to the Investment Council, I also included two tourism experts. The team was extremely well received throughout Micronesia, and I feel that it's a step in the right direction and should be further pursued by the Micronesians.

Turning now to the business at hand, the FY 1984 appropriation request, our request for the Trust Territory totals $87,989,000. While this amount is a decrease of $7,821,000 from the level of the FY 1983 appropriation, it is an increase of $12,489,000 over our original FY 1983 funding request. Increases are proposed for operations funding for the three Micronesian governments and the College of Micronesia, satellite communications, and the Trust Territory construction program. Nearly one-half of the construction funding will be used to continue the progress in completing a viable infrastructure for the Micronesian governments, with the remainder to be used for capitol relocation for the Federated States of Micronesia and the Marshall Islands. Reductions are proposed in Trust Territory administration, fuel and claims contingency, and special operations and maintenance funding.

The FY 1984 funding request for the Trust Territory Administration is $4,419,000, a decrease of $1,211,000 from the current fiscal year, the special FY 1984 appropriation of $1 million for rehabilitation and repair of headquarters facilities and housing has been dropped in the FY 1984 budget request. The remaining reduction of $211,000 will be absorbed through continued reductions in staffing in those areas of responsibility being assumed by the Micronesian governments. We have continued our efforts in winding down Trust Territory headquarters, as the Micronesian governments continue to assume and to perform an increasing array of government functions. The FY 1984 funding request for Trust Territory headquarters is approximately seventy percent of the FY 1982 appropriation, with a corresponding reduction in staffing. This has been accomplished without

adversely affecting the services provided to the new governments. By consolidating and reducing various offices, we have been able to relocate all of the remaining Trust Territory headquarters staff, except those responsible for the data processing center and the High Court, into two buildings on Capitol Hill, enabling us to effect great savings in our overhead costs. And we have closed our liaison offices in Guam, Honolulu, and Kwajalein. As the new governments opened their own liaison offices and assumed liaison duties and responsibilities, it became both expensive and redundant for our liaison offices to remain open. The remaining Trust Territory headquarters operations will continue at the minimum level necessary to meet our remaining responsibilities under the U.N. Trusteeship Agreement.

The FY 1984 funding requests for operations of the three Micronesian governments have been developed by those governments, within the funding levels authorized by the President. Representatives of each of the three governments are here today to testify in further detail as to the funding requests for their respective governments. Those requests include the Republic of Palau - $10.1 million, an increase of $446 thousand; The Republic of the Marshall Islands - $10.9 million, an increase of $416 thousand; and the Federated States of Micronesia - $36.9 million, a net increase of $657 thousand, after elimination of the nearly $1.6 million provided to the FSM in FY 1983 for emergency cholera programs. For each government, the FY 1984 request provides an increase of at least five percent over the FY 1983 request. The increase for the Marshall Islands has been distributed to various program areas; the increase for Palau is earmarked for possible fuel price increases or shortfalls; and the increase for the FSM has been allocated to the national government for its new telecommunications corporation, while FSM state funding levels remain constant.

The FY 1984 funding request for the College of Micronesia is $1.5 million, an increase of $100 thousand, to be allocated to each of the three campuses. Funding for satellite communications is being increased to $1 million, to cover the full-year operations, maintenance, and space segment costs for the seven COMSAT satellite terminals. The FY 1984 request for special operations and maintenance is $3 million, a decrease of $5.7 million from the FY 1983 level, but an increase of $1.5 million over the FY 1983 request. The fuel and claims contingency fund is being reduced to $750 thousand, which should be sufficient to cover most judgments entered against the Trust Territory during FY 1984. Enewetak support funding will remain at $800 thousand.

As I mentioned earlier, we are requesting $18.62 million for the Trust Territory of the Pacific Islands construction program, an increase of $220 thousand over the FY 1983 appropriation and nearly $11 million over the FY 1983 request. Of this amount, $9.6 is requested for capitol relocation; $2.6 million for the Marshall Islands to complete the U.S. contribution to their capitol relocation and construction efforts, and $7 million for the FSM for partial funding of the total U. S. contribution of $15 million, to be used for site preparation, extension of utilities and roads, and selected construction. The remaining $9.02 million of construction funding is requested for completion of certain projects within the capital improvements program. These projects include construction of five airport terminals in Kosrae, Ponape, Truk, Yap, and Palau - $3 million; extension of the water system in Yap to the airport and other locations - $1.3 million; drilling new wells and expansion of the water collection and distribution system in Truk - $2 million; providing repairs and improvements to the water system in Ponape - $1.8 million; and providing funding for the relocation of the dredging site in Palau - $920 thousand. A representative of the U. S. Navy is here today to provide additional information on the TTPI construction program.

In conclusion, Mr. Chairman, I would once again like to thank you for your continued cooperation and support of our efforts in the Trust Territory. Obviously, every problem in Micronesia cannot be solved overnight. But I believe we are making real progress in helping the people of Micronesia realize their goals of self-determination and self-sufficiency, and in fulfilling our mandate under the U. N. Trusteeship Agreement. Your cooperation and support have been instrumental in our success, and it is my hope that such support will continue during our remaining tenure as the administering authority.

This completes my opening statement, Mr. Chairman. Thank you for your kind attention. My staff and I would be happy to answer any questions that you, or other Members of the Subcommittee, may have concerning our FY 1984 appropriation request or our current efforts in the Trust Territory. Thank you.

TRUST TERRITORY OF THE PACIFIC ISLANDS

Senator McCLURE. Thank you very much, Mr. Secretary, and a special welcome to the High Commissioner. It is a long way from the trust territory here; it is not as far, I hope you will remember, from the other end of Pennsylvania Avenue up here.

Ms. McCOY. Thank you, Senator. I am delighted to be here.

Senator McCLURE. Thank you.

Before I begin with specific questions, I think it is important to mention that all too often we focus only on the problem areas. Whenever we have hearings like this, it is the criticisms we ordinarily focus upon. We rarely offer any positive comments when a job has been well done.

It is particularly the nature of appropriations hearings to concentrate on the negatives and perhaps nowhere is this more true than in our review of the budget proposals for our flag territories and the trust territory.

We recognize, Mr. Secretary, that you are in a particularly difficult position in trying to maintain our commitments to the territorial governments, while at the same time accepting the responsibility placed on you by the administration to reduce budget expenditures. That is certainly an unenviable position.

We will, of course, focus on many of the problem areas faced by the territory governments and by OTIA, but it is especially important to note that many of the biggest problems result from what I consider to be a poor policy on the part of the administration and perhaps principally by OMB.

While we on one hand negotiate compacts of free association which contain significant financial provisions, the same administration refuses to budget current operation funds anywhere close to the negotiated levels.

While we have on one hand recorded a long history of apparent desire to hold our flag territories, we nevertheless do relatively little each year to support them—keeping in mind that each is a unique entity unable to financially support itself in the fashion that either we or they would truly like.

Until the administration and the Congress face up fully to our responsibilities to our flag territories and until the administration and the Congress quit sending opposite supportive signals to the trust territory, I suspect we will again find ourselves in this same arena, focusing mainly on problems, many of which I believe should have been solved by now.

TECHNICAL ASSISTANCE

One of these areas in which we have been particularly negligent in the past is that of financial management, training, and assistance for each of the island governments. This fact has unquestionably resulted in a great many of the current budget problems of many of the governments.

The last 2 years, the Congress has provided over $5½ million for technical assistance and has stated that financial management training is among the most importance of this assistance that should be offered. With respect to financial management, what is the situation in each of the governments, and what has your office done in recent months to assist each of the governments in this regard?

Mr. SANJUAN. Mr. Chairman, I certainly welcome the last statement that you made because there is a very serious problem that I see looming ahead, and in the sometimes partisan atmosphere that prevails in some hearings it is very difficult to put it across without creating a feeling of recrimination and a feeling of accusation, which is totally out of place and which doesn't solve anything.

However, the fact is that through circumstances that are very unique, even sui generis, there are very serious problems in the trust territory and even in flag territories today with respect to the question of financial management.

TRUST TERRITORY TRANSITION

In the trust territory, I think that the main problem is the paradox that exists between a period of transition, during which we have—and it is not and it was not this administration that began that process; it was in the previous administration, and we have continued it because we felt the President felt that it was the process that would eventually lead to self-determination, a very desirable objective. That is part of the trust that we received from the United Nations.

But the process—the paradox is that functions of government being turned over to these entities and that as they are turned over there is less and less of a direct control over the management of Federal funds. Consequently, in a number of areas, the Federal funds are being commingled with local funds, and the payment of debts is not something that is being managed adequately. As a matter of fact, it is being managed very perfunctorily, without a knowledge of where the funds are going, what loans remain to be paid and to what extent.

DEBT CONCERNS

And then there is the participation, and this is, sir, what worries me enormously, the participation in this arena of certain outside turnkey operations that are taking—I am pretty sure; I can say this without hesitation—are taking advantage of the plight of these areas, the plight which involves having insufficient energy resources and having inferior power-generating capacity, and have been selling to these entities enormous capacities, enormous facilities that cost an enormous amount of money without there being very much of a hope of making the payments, with the idea perhaps that in a short while these things would pay for themselves.

Tank farms, for example, that are supposed to service the entire Japanese fishing fleet, when there is no expectation and no projection, really, in real terms, that such a fishing fleet is going to materialize and that such bunker C fuel is going to be sold.

Consequently, what is happening is that the Republic of the Marshall Islands is on the verge of bankruptcy. The Republic of the Marshall Islands doesn't have the money to make its June payment, we don't think. The Republic of the Marshall Islands has a 12-megawatt system in place, and its peak demand, its top demand does not exceed 3.2 megawatts.

Now, the same thing is true of the financing of an airline which may have been necessary, but it isn't the question of the necessity of improving communications links nor the question of improving power generating facilities.

The issue is do you need new aircraft, do you need to go into debt in excess, for example, for an airline, of $10 million when there are rental possibilities, when there are used aircraft available? Do you need to develop a 12-point-something megawatt capacity when you only need 3.2? Do you need to have a tank farm that does not have customers, and who is going to pay for this?

I think the underlying arrangement throughout this whole process was in the long run everybody is going to benefit.

I am very candid. You will benefit because you have got this enormous partnership arrangement that is beneficial to us, and the United States will benefit because they are going to be happy, and that is terrible economic planning. That is absolutely not the way to go ahead and solve the problems of these entities.

WAIVER OF SOVEREIGN IMMUNITY

The legislature of Palau passed an act asking that—or stating, that the sovereign immunity of Palau with respect to these payments would not apply and this particular outfit, which did the same deal in the Marshall Islands, would be able to attach the funds of Palau, which of course would have access to Federal funds, in order to pay for this exorbitant capacity that is not needed.

In the case of Palau, it was 16 megawatts, when they have a peak demand of something around 7. Now, I conferred with the High Commissioner, and we decided that she should set aside that act because it was in—contradiction to Secretarial Order 3039, and it concerns me that this type of outside infusion into a confused picture is developing.

TECHNICAL ASSISTANCE FUNDING

Now, as far as technical assistance is concerned, for 1984, out of $900 million that we are asking for $425,000 is to be devoted to financial management programs. Of the ongoing funds, we have divided the financial management aspect of it in the following manner, if you wish:

The TTPI in general has received $20,000 out of $112,000. The FSM, the Federated States of Micronesia, in order to establish a financial management system, has received $450,000 out of $880,000. The financial managment system in Palau consists of a $460,000 grant——

Senator McCLURE. Could I interrupt for a moment? Have they received that money, or has it been committed?

Mr. SANJUAN. It's committed.

Senator MCCLURE. How much have they received?

Mr. SANJUAN. We will supply that for the record. We don't have the exact figures here as to how much, but——

Senator MCCLURE. If you would supply it for the record, please. I would like it to be in the record, because we are halfway through the year and the commitment of moneys to the governments is extremely critical.

Now, I recognize that Congress bears a part of the responsibility for a tardy passage of appropriations act, and that we were into the fiscal year before you knew how much was available. But I would hope that halfway through the year, if there is really a commitment on the part of Interior toward building the financial management capacity to meet the very problems that you are outlining, that you would have committed more than half of the money, let alone have expended it. The pattern appears to be that you have only committed half of it, even though we are halfway into the year, and they haven't even received that.

[The information follows:]

To date, we have obligated the full amount of $460,000 for the finance system in Palau. The equipment (approximately $300,000) has been purchased and installed on-island. Currently, we have a contract with a major accounting firm to provide on-site training and to install the financial software system. The financial management funds were allotted directly to the trust territory instead of directly to Palau in order to take advantage of savings in the purchase of multiple financial systems throughout Micronesia rather than each government buying their own equipment.

TECHNICAL ASSISTANCE PLANNING

Mr. SANJUAN. I would like to have Frank Solomon speak to the particulars of that, but let me say, before he does, that I feel that a good deal of the success of a financial management program that is effective, one that is accepted and implemented and then sets a pattern that is followed by the territory, has to involve the analysis, the requirement, of having the territory tell you what they think they need, and an examination of that. And that's a slow process.

It takes quite awhile to get the requests in and to be able to analyze which are the good ones and which are not so good.

If we do not follow that process, we have the very grave danger of determining for them what they need, making the wrong decisions, and shoving money down their throat that will get us nowhere. That is a problem that, unfortunately, cannot be collapsed like an accordion in time.

Senator MCCLURE. Well, I interrupted you. You were giving me a list, and you had given me TTPI——

Mr. SANJUAN. And Marshall—well, let me see what I have got.

I gave you the TTPI. I can give you all of these things for the record. We have the information available.

Senator MCCLURE. Well, if you would just go ahead and run down through them quickly.

Mr. SANJUAN. OK. For Palau, $460,000 plus another grant of $30,000, out of $619,000. The financial management system for the Marshalls, $450,000, and a study of medical reform programs which is related to that, of $30,000, out of another $617,000.

Now, when we get to the flag territories, we have spent—we have committed $150,000 and another $30,000 out of $510,000 for the Virgin Islands. The Virgin Islands, the territory in that state of development, needs less assistance than the Micronesian entities.

Guam, for the tax system, we have spent $150,000, and for a financial and budget training system $15,000, out of a total of $335,000. And for the Northern Marianas, $25,000 out of $90,000. So—that's the sum total of what we have done.

Frank?

Mr. SOLOMON. Mr. Chairman, could I clarify one point?

Senator MCCLURE. Yes; please.

Mr. SOLOMON. On the trust territory projects, there is $1.5 million, approximately, devoted to those projects. It's been obligated, but it's not been spent, because we're waiting to get the first installation in Palau operational, to make sure that everything is working properly, and then we will move to the next installation, which is in the Marshalls, and Ponape, will be the next two starts. But we want to get the first one completed and tested.

So the funds are obligated. The equipment is being purchased. So we are moving on that, in that situation. Money is out. We just haven't actually set foot on the islands to start the project until we finish the Palau installation.

Mr. SANJUAN. He is referring to computerized systems.

Mr. SOLOMON. Yes.

Senator MCCLURE. One of the questions involved here is the training of personnel and making available to the territorial governments the capability of doing it themselves.

You were rightly critical of what you identify as past problems, but you haven't identified the solution. As a matter of fact, you have not taken the moneys that were made available and applied them to a solution. Now, you suggest you won't do anything further until the computer is in? Who is going to run the computer?

Mr. SOLOMON. We are providing as part of the installation—there is a training—a big part of the project is training, actually, on the uses of the computer, and actually on the use of——

Senator MCCLURE. And how much has been committed to that, so far?

Mr. SOLOMON. Out of the $450,000, $150,000 pertains to that.

We are also planning—we also have committed $40,000 to the Republic of Palau, which they will use to contract for a financial expert, but will provide funding out of technical assistance for 2 years. So that should give them an opportunity to——

Senator MCCLURE. But when are they going to get started?

Mr. SOLOMON. They are started on that, sir. In Palau——

TECHNICAL ASSISTANCE PROJECT IMPLEMENTATION

Senator MCCLURE. The commitment of the first dollar is a start. While I identified the fact that we hadn't passed the regular bill until December, we had nevertheless made money available as early as September prior to the beginning of this fiscal year.

Mr. SOLOMON. Yes, Mr. Chairman. In the case of Palau, we ordered the equipment back in October, with the supplemental money that we received in 1982, and we started the actual onsite project installation of computer and training in January of this year.

IDENTIFICATION OF PROBLEMS

Senator MCCLURE. Mr. Secretary, in providing assistance to the governments, have you used the talents of the Inspector General or others in identifying problem areas, or has most of your work to date been done in-house?

Mr. SANJUAN. No, sir. The Inspector General and I are working very closely together in this. This started last year, when, as you may remember, we put in the budget some statements that had some strong misgivings about where things were going in some of the territories. Since then, I have asked the Inspector General to conduct a fairly broad series of audits on Samoa, Guam, the Virgin Islands, Palau, and on the Marshall Islands. The audits are starting to come in. The one on Samoa is in. I think you have a copy of it. It is a very, very good audit, and one that is quite helpful. The ones on the Marshall Islands and Palau are only in draft. We have the tentative conclusions.

At the risk of having you come down on me like a ton of bricks, which I think I am going to inherit as a result of what I am going to say—and I am not in any way opposed—on the contrary, am very much in favor of establishing these systems. But experience in some of the flag territories shows that even if you establish all the management training and computerized systems, you do not affect policy, and policy is at the root of the whole thing.

And the policy is what really gets them into trouble. We have to change the idea that you can commingle funds, that financial accountability and budget directors and cabinet heads are sort of independent of the Governor's control, and that eventually when things go awry, they can always come and get a supplemental. That mentality has to be——

Senator MCCLURE. Let me go back for a moment to this other question. You have identified the fact that you have asked the Inspector General to do some things.

Mr. SANJUAN. Yes, sir.

Senator MCCLURE. Of the total amount of work that has been done, how much has been done by in-house personnel, and how much by Inspector General personnel?

Mr. SANJUAN. I am a little confused as to the thrust of your question.

Do you mean in terms of audits, or in terms of management, technical assistance training?

Senator MCCLURE. The management, technical assistance training, and identification of the problems. They all overlap.

Mr. SANJUAN. Well, as far as the technical assistance training, we do that. As far as the audits of the——

Senator MCCLURE. But does this technical assistance include identifying problems?

Mr. SANJUAN. Well——

Senator MCCLURE. That's not simply an Inspector General problem.

Mr. SANJUAN. Technical assistance includes identifying problems, but the ability and the power of subpena and all the other things that we do not have, particularly since I have turned my controllers over to the Inspector General, and so consequently he has the authority and the power to do that, and he responds not only to my requests, but he has got a few objectives of his own.

Senator MCCLURE. Well, I understand that distinction. But what I am trying to find out is what you're doing in terms not just of enforcement activities, which is the Inspector General's responsibility, but in the identification of the problems and the technical assistance to solve those problems outside of enforcement arm of the Inspector General.

Mr. SANJUAN. We have technical assistance representatives from our offices, the different territories, and their job is basically to——

Senator MCCLURE. But what I am asking you is how much of that have you done?

Mr. SANJUAN. We have them there.

Senator MCCLURE. Well, how much?

Mr. SANJUAN. They are doing it.

Senator MCCLURE. In terms of the total amounts that you have spent have been done by your personnel, not the Inspector General.

Mr. SANJUAN. No; in terms of what we have spent, we are doing it all ourselves. This has nothing to do with the Inspector General. The Inspector General, we take no funds from.

Senator MCCLURE. So what the Inspector General has done is in addition to the sums that you have identified in terms of financial assistance.

Mr. SANJUAN. Correct. Now, I can't quantify how much they have spent, but I am sure that he could.

TECHNICAL ASSISTANCE STAFF TRAVEL

Senator MCCLURE. How many of your in-house personnel that you have used have traveled to the territories to work with each of the governments?

Mr. SANJUAN. Frank can give me more.

Mr. SOLOMON. Yes; if you're referring to the field, in technical assistance, Mr. Chairman, we have seven people stationed in the territories. We have two in Guam, two in Saipan, one in the Virgin Islands, and—well, we have—one just left, so we have three in the trust territory——

Senator McCLURE. So you have a total of seven people involved in all of the territories with respect to technical assistance?

Mr. SOLOMON. Yes, sir. They are working on specific projects. And we are trying to recruit one for American Samoa, currently.

Mr. SANJUAN. Exclusive of the specific needs of a critical nature, where we send a technical assistance expert. For example, Mr. Solomon has just come back from spending approximately 3 weeks in American Samoa to help the Governor with a financial crisis there, and we have sent other people in other directions.

Senator McCLURE. Now, of the seven people who you have identified as being onsite, how many of those people are CPA's? How many of them have any background or training in financial management?

Mr. SOLOMON. Mr. Chairman, they are all—every one of them has a background in finance or ADP. There are two CPA's on the staff. There is one ADP expert. Now, when you say on the staff——

Senator McCLURE. I mean in the field.

Mr. SOLOMON. In the field. Two of the seven. Two out of seven are CPA's, and all the rest of them have—they all have a financial background.

Senator McCLURE. Could you provide for the record their background and training and experience prior to their assignment to the field office?

Mr. SOLOMON. Yes, sir.

[The information follows:]

A summary of the education and experience of the TTPI technical assistance staff follows:

TTPI TECHNICAL ASSISTANCE STAFF

Name	Position	Education	Experience
Milks	Systems accountant	B.S. Accounting	Two years Arthur Anderson CPA firm; 5 years TT system; passed four parts CPA exam.
Mackenzie (local hire)	Accountant IV	B.A. Business	Four years internal audit; 3 years accounting/system.
Maui (local hire)	Accountant I	A.S., B.A.	Two years accounting/systems.
Lihpai (local hire)	Accountant IV	Two years college	Eight years accounting/systems.
Joseph (local hire)	Accountant IV	Two years college	Fourteen years accounting/systems.

OTHER ASSISTANCE

Senator McCLURE. Aside from the fact that you have these seven people in the field, have there been other specific programs of assistance you have provided in financial management and training?

Mr. SANJUAN. Yes. The trust territory government, the High Commissioner, has their own people, and I think she can enlighten you as to who they are.

Ms. McCoy. We make a point of sending—we have a staff of four that we make a point of sending throughout the territory. They go out quarterly, and all of them have extensive ADP background and financial background.

Senator McClure. Where are they located?

Ms. McCoy. They're headquartered in Saipan, and they revolve.

Senator McClure. Would you provide for the record their names and their background of training and experience?

Ms. McCoy. Surely, sir.

[The information follows:]

Francis X. Solomon
Systems Accountant, GS-510-15
(Acting Director, Office of Technical Assistance)

Education: B.S. - Accounting - University of Scranton

Experience:

2-1-83 to present	Acting Director, Office of Technical Assistance, Assistant Secretary, Territorial and International Affairs, Department of Interior, Washington, D.C. GS-510-15
12-14-80 to 2-1-83	Systems Accountant, Assistant Secretary-Territorial and International Affairs, Department of the Interior, Washington, D.C. GS-510-15
3-12-78 to 12-13-80	Systems Accountant, Assistant Secretary-Territorial and International Affairs, Department of the Interior, Washington, D.C. GS-510-14
4-13-75 to 3-11-78	Systems Accountant, Office of Administrative and Management Policy, Department of the Interior, Washington, D.C. GS-510-13
1-5-75 to 4-12-75	Systems Accountant, Office of Management Consulting, Department of the Interior, Washington, D.C. GS-510-12
9-17-72 to 1-4-75	Accountant/Auditor, Office of Survey and Review, Department of the Interior, Washington, D.C. GS-510-11/12
5-30-71 to 9-16-72	Accountant/Auditor, Office of Survey and Review, Department of the Interior, Washington, D.C. GS-510-9
6-26-68 to 5-29-71	Auditor, Office of Survey and Review, Department of the Interior, Washington, D.C. GS-510-5/7

Currently responsible for the technical assistance efforts of the Department to all the territorial areas. Supervises the Technical Assistance staff and works with them in review of ongoing technical assistance projects. Develops Memoranda of Understanding for projects in the territorial areas. Works closely with territorial governments, officials of federal agencies and the private sector in developing and implementing technical assistance projects.

James R. Johnson
Systems Accountant, GS-510-13

Education: Williams Memorial High School - June 1964
Bachelor of Science Degree in Business Administration
South Carolina State College - June 1968
Major - Accounting
Minor - Economics
Additional Training:
Computer Science - 36 semester hours
Kaufman-Codes CPA coaching school - complete course
CSC Computer Seminars

Skills: Computer Analysis and Design
Knowledge of BASIC and COBOL Languages.

Experience: 1968 - 1975 - Department of Agriculture - Operations Accountant

1975 - 1979 - Department of Navy - Systems Analyst

1979 - Present - Department of Interior, Office of Technical Assistance, Territorial and International Affairs - Systems Accountant

Experience in ADP functions, accounting, systems design, etc. In the Department of Navy assisted in a team effort to automate the Navy budget submission process and in the design of financial management systems.

Currently assist in the development and implementation of technical assistance in the territorial areas. Conducts on-site inspections of financial management systems. Provides status reports on various projects and assists the Acting Director in the review of on-going projects.

Odessa Mitchell
Program Analyst, GS-345-12

Education: Graduated, George Washington High School, 1963

Experience: 11 years in the Office of Territorial and International Affairs, in the administrative area. Provided information to the public and others about the territorial areas. Worked closely with the territorial areas in a variety of administrative problems.

As Program Analyst since April 1983, have been in process of developing reporting requirements and status reports for on-going technical assistance projects. Assigned to a special project concerning technical assistance being provided to the territorial areas by other Federal agencies. Have also been working on developing a tracking process for on-going technical assistance projects.

Guy Delumeau
Systems Accountant, GS-510-13

Education: B.A. - Johns Hopkins University - Accounting
M.S. - University of Hartford

Experience: Auditor, Inspector General Office, Washington 1974-1978

Auditor, Virgin Islands Comptroller's Office 1978

Auditor, Trust Territory of the Pacific Islands
Comptroller's Office 1978-1980

Systems Accountant, Technical Assistance Office,
Trust Territory of the Pacific
Islands/Northern Mariana Islands
10/80 to Present

Coordinates implementation of financial management systems in the Trust Territory of the Pacific Islands and the Northern Mariana Islands. Works with territorial governments and provides assistance and training on-site. Manages, reviews and reports on all-going technical assistance projects in the Trust Territory/ Northern Mariana Islands. Makes recommendations and evaluates technical assistance program in these areas. Currently overseeing the installation of the financial management system in Palau and preparing for similar installations in the Marshalls and Ponape.

Keith Aughenbaugh
Systems Accountant, GS-510-12

Education: B.S. Accounting - Pennsylvania State University

Experience: Auditor with GAO - 3 years
Systems Accountant - U.S. Nuclear Regulatory Commission - 3 years
Auditor - Comptroller for NMI/TTPI (in Saipan) - 2 years
Systems Accountant, Office of Technical Assistance in Saipan since 1980

Currently assigned to assist the NMI with financial projects and assist in the review of on-going Technical Assistance projects in the Northern Mariana Islands and Trust Territory of the Pacific Islands.

Arnold E. van Beverhoudt, Jr.
Systems Accountant GS-510-13

Education: Sts. Peter and Paul High School - June 1967
Associates Degree, College of the V.I. - June 1969
Bachelor's Degree, College of the V.I. - June 1971
Master's in Business Administration, College of the V.I. - June 1980
Job-sponsored Training:
Auditor Training - 344 hours
Government Accounting - 80 hours
Automated Data Processing - 222 hours
General Supervision - 120 hours

Memberships: American Institute of Certified Public Accountants (licensed in V.I.)
Association of Government Accountants
Municipal Finance Officer's Association

Skills: Computer-programming skills:
Excellent knowledge of BASIC language
Good knowledge of COBOL and RPG languages

Experience: After receiving my Bachelor's Degree in June 1971, I began working with the then-U.S. Government Comptroller for the Virgin Islands as a Auditor GS-7. I worked with that office through FY-1980, advancing to a GS-13 Audit Supervisor. During those years, I worked on many assignments which involved audits of financial and program operations of the Government of the Virgin Islands. Beginning in May 1979, I was temporarily assigned to the Technical Assistance staff within the Office of the U.S. Comptroller. I worked on systems reviews of internal operations of the V.I. Department of Finance, including the Bank Reconciliation and General Ledger operations. In 1980, I was formally transfered to the Office of Technical Assistance, Territorial and International Affairs, as a Systems Accountant. Since that time, I have written a number of procedural manuals for various offices within the V.I. Department of Finance, including Bank Reconciliation, General Ledger, Revenue Audit, and Accounts Receivable.

I currently represent the Office of Territorial and International Affairs at meetings of the Government of the Virgin Islands' Financial Improvement Task Force.

Richard E. Nold
Systems Accountant, Guam Office of Technical Assistance, GS-510-13

Education: BSC (Accounting) 1964 St. Louis University

MBA 1969 Michigan State University

Professional Licenses:

Certified Public Accountant in State of Florida and in Territory of Guam

Professional Memberships:

American Institute of Certified Public Accounts
Florida Institute of Certified Public Accountants
Guam Society of CPAs
Association of Government Accountants

Experience: Systems Accountant - TTPI Government 1976 - 1978

Systems Accountant, Office of Technical Assistance, Guam 1978 to present

Nineteen years experience in financial management with USAF, Trust Territory of the Pacific Islands, and Department of Interior.

Direct experience includes auditing, budget, management disbursing office, management of accounting office, management of cost accounting and management analysis group, systems accounting, project management, computer programming and systems development. In addition, served as part-time instructor of accounting on the facilities of Southwood College, North Carolina State University, University of Maryland, and University of Guam.

Currently, the senior member of the Technical Assistance staff in Guam. Responsible for supervising this staff. Responsible for assisting the Government of Guam in the area of financial management and for reviewing and managing all technical assistance projects in Guam.

Willis Hestir
Computer Specialist, GS-334-13

Education: 1959 - 1965 - University of Idaho, National Reactor Testing Station Extension. MS Mathematics, 1965.

1954 - 1958 - Idaho State University, Pacatello, Idaho. Duo B.S. Mathematics and Physics, 1958.

Professional Membership: Association for Computing Machinery

Experience: Computer Specialist - Trust Territory of Pacific Islands Government 1975-1978
Computer Specialist - Virgin Islands Comptroller 1978-1980
Computer Specialist - Office of Technical Assistance, Guam 1980 - present

Twenty-four years experience with digital computing systems in private enterprise, university and federal government environments.

Direct experience includes computer center management; systems' analysis, design and programming; specification, evaluation and selection of hardware and software; maintenance, modification and conversion of business and scientific applications; development of installation standards, teaching of assembly language programming and computer operating system design.

Currently responsible for assisting the computer operations of the Government of Guam. Provide assistance on other computer related technical assistance projects. Provide assistance in the review and tracking of other ongoing projects.

Tommy Perez
Program Analyst, GS-345-12

Education: Graduated George Washington High School, Guam
June 1961

Experience: Appointed August 28, 1961, Navy Supply Depot, Guam.

Promoted to Accounting Clerk on 1 March 1963

Transfer/Promotion to Department of Interior,
Trust Territory of the Pacific Islands on
March 30, 1964 as Petty Cash Custodian

Promoted to Fiscal Accounting Clerk on 8 May 1966

Promoted to Administrative Assistant on 8 October 1967

Promoted to Administrative Officer on 8 July 1973

Promoted to Liaison Officer for High Commissioner/TTPI
on 16 January 1977.

As Liaison Officer and Representative of the Trust Territory/Guam, represented the High Commissioner in all matters dealing with the U.S. Navy and Air Force as well as other military authorities on Guam, Government of Guam, and U.S. Federal Agencies on Guam. Responsible for procurement of supplies and materials; supervisor of personnel; medical referral, communications, and student coordinator for Micronesian students attending school in Guam.

Responsible directly to the Office of the High Commissioner.

Reassigned to Department of Interior, Office of Territorial and International Affairs, Technical Assistance Office/Guam as Program Analyst on 1 May 1983. Responsible for assisting in review of on-going technical assistance projects in Guam. Assist in the development of new projects and provide liaison with local government

TECHNICAL ASSISTANCE IN THE FLAG TERRITORIES

Senator McCLURE. The three flag territories and the Northern Marianas, according to your justification, have received no more than $165,000 in commitments through the technical assistance program to assist the four governments with financial management training. Is that number still accurate.

Mr. SANJUAN. Yes, sir.

They have varying needs for this. For example, I think Frank can give you an idea, but Guam and the Virgin Islands are much more sophisticated areas in terms of financial management than the other two flag territories that you mentioned, and I think it would be very, very wrong for me to divide things equally and make an equal allocation, per territory.

Even though they are much more highly populated, their financial management capabilities are quite sophisticated, and it does not take the same amount, the same funds, for them as it does for the other two.

Senator McCLURE. Thank you.

Mr. SOLOMON. Yes, Mr. Chairman. I missed the amount that you said. I just added it up——

Mr. SANJUAN. $165,000.

Mr. SOLOMON. Yes; as of today, we have about $715,000 committed to the Virgin Islands and the other three flag territories.

Senator McCLURE. This is for the three flag territories and the Northern Marianas.

Mr. SOLOMON. Right. All of those equal $715,000.

Senator McCLURE. Is that committed, or obligated?

Mr. SOLOMON. In the case of the Virgin Islands, it is all obligated. $450,000 for three distinct projects. In the case of Guam, out of $185,000, $150,000 has been obligated. $185,000 has been obligated; cash sent out has been $85,000. In the case of the Northern Marianas, it's $80,000 that's been obligated, and the cash hasn't gone out, and that's my fault.

Senator McCLURE. Of the total amount of money which has been provided, will you obligate all of that money before the end of this fiscal year?

Mr. SOLOMON. Yes, Mr. Chairman. The plan that we started with was an initial call to each of the Governors to ask what their priorities are. We went out with an initial list of technical assistance projects.

The Northern Marianas and Guam are in the process of receiving additional technical assistance. I have those things in process, and they will go out shortly. In the case of the American Samoa, we have not—well, the Governor is in now, but it's been slow getting together on what the projects are. We now, hopefully, at the end of this week, will have a list of projects to go out on that.

We intend to get the rest of the money out before the end of the year. We just didn't release it all in the beginning. We are going through—now we are going to go through another priority listing with the Governors to see how we are—if we are making progress with our projects, and try to commit the rest of it before the end of the year.

Senator McCLURE. Now, can I make a separation for a moment? Let me ask you for the record: Can you provide for the committee a list of your plans for commitment and obligation of these amounts of money by territorial government, the dates and the amounts both on commitment and on obligation of these amounts of money? Can you do that, please.

Mr. SOLOMON. Yes, sir.

[The information follows:]

STATUS OF TECHNICAL

ASSISTANCE PROGRAM

as of May 31st, 1983

Available Funds		
FY 1982 Appropriation	$720,000 [1]	
FY 1982 Supplemental	2,500,000	
FY 1983 Appropriation	2,250,000	
TOTAL AVAILABLE		5,470,000
Total obligations as of May 31, 1983 (see attachment I)		3,216,000
Balance of Funds not obligated		$ 2,254,000
Proposed projects [2] (see attachment II)		$ 2,254,000
Balance of fund		0

[2] These projects are proposed for funding but there can be changes in priority and the actual definition of the projects as we formulate the project description.

[1] Annual funds --fully obligated and expended .

ATTACHMENT I

STATUS OF TECHNICAL

ASSISTANCE FUNDS OBLIGATED AND EXPENDED

as of May 31st, 1983

	Obligated	ADVANCED/EXPENDED
Guam	$280,000	$85,000
NMI	80,000	-0-
Virgin Islands	450,000	450,000
Federated States of Micronesia	430,000	190,000
Palau	619,000	539,000
Marshall Islands	147,000	97,000-
American Samoa	71,000	21,000
All Territories	1,139,000[2]	113,000
Total	$3,216,000	$1,495,000

[1] includes 460,000 for finance system

[2] includes 1,046,000 for finance systems in Ponape and Majuro--Equipment on order and scheduled for delivery in July.

GUAM

PROJECT DESCRIPTION	DATE MOU	(obligated) ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
TAX INFORMATION SYSTEM	10/28/82	50,000	50,000	2 years
Assist in funding to hire programmers to initiate design and installation of a new automated tax information system.	5/5/'83	100,000		
AUDIT & BUDGET TRAINING	10/28/82	15,000	15,000	6 mos.
Assist in funding cost of training of budget & audit staffs to better perform work assignments using new automated budget/accounting system.				
ASSISTANCE TO SMALL BUSINESS	10/28/82	20,000	20,000	1 yr.
Assist in development of a business center to aid in the growth & development of small businesses.				
O & M SYSTEM		40,000	-0-	
DREDGING STUDY		25,000	-0-	
IRS TRAINING SESSION		30,000	-0-	

NORTHERN MARIANA ISLANDS

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
DIESEL POWER PLANT ADVISOR Assist in funding the hiring of an electrical diesel power plant specialist to train personnel on Rota, Tinian, & Saipan.	10/27/83	30,000	15,000	1-2 yrs.
HOSPITAL & FINANCIAL ADMINISTRATIVE SYSTEMS Assist in funding the hiring of a financial specialist to serve as a project manager to develop financial & administrative system for hospital.	10/27/83	25,000	10,000	1 yr.
UPGRADING OF NURSING PROGRAM/ DEVELOPMENT OF PROCEDURAL MANUAL Help fund hiring of a consultant to develop nursing manual and provide training.	10/27/82	25,000	10,000	1 yr.

VIRGIN ISLANDS

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
CARIBBEAN CENTER Assist in funding the establishment of a Caribbean Center.	1/24/83	150,000	150,000	1-2 yrs.
FINANCIAL MANAGEMENT SYSTEM Assist in funding costs of improvement to financial management system.	1/24/83	150,000	150,000	1-2 yrs.
DEVELOPMENT OF GEOLOGIC DATA BASE Reimburse USGS for costs assiciated with team of scientists to work with GVI in preparing geological, geochemical, hazards & marine geology surveys; & mineral & energy resources studies.	3/29/83 UAGS	150,000	150,000	2 yrs

FEDERATED STATES OF MICRONESIA

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
FINANCIAL MANAGEMENT SYSTEM CONSULTANT Assist in funding the hiring of a consultant to assist state governments in preparing general ledgers, train personnel and act as advisor during implementation of financial system.	11/8/82	10,000	10,000	1-2 yrs.
EXPERT ADVISOR FINANCE DEPARTMENT Assist in funding the hiring of a consultant to serve as an advisor on all matters relating to the new financial management system.	11/8/82	45,000	45,000	1-2 yrs.
COMMUNICATIONS PROJECT Assist in funding the contracting costs of a specialist to serve as manager and consultant for communications and improve local telephone service due to satellite earth station.	12/14/82	150,000	75,000	1-2 yrs.

FEDERATED STATES OF MICRONESIA (Cont'd.)

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
HEALTH MANAGEMENT/HOSPITAL ADVISOR Help fund cost of contracting health specialist to assist in delivery of health services in four state hospitals and outer-island dispensaries.	3/14/83	40,000		1-2 yrs.
SEA TRANSPORTATION Fund cost of contract to conduct complete review of sea transportation service for the four FSM states.	3/14/83	125,000		1 yr.
ENGINEERING & MAINTENANCE CONTROL Assist in funding the hiring of a consultant to improve maintenance control.	11/8/82	60,000	60,000	1-2 yrs.

PALAU

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
Financial Management System Assist in funding the cost of computer hardware, software, installation, training etc. for financial management system for Palau.	11/10/82	460,000	460,000	1 yr.
COMMUNICATIONS Assist in funding the hiring of communications specialist to serve as interim manager/ consultant for communications organization.		75,000	75,000	1-2 yrs.
PLANNER Assist in funding cost to hire planner/economist to lead new planning organization and to assist in economic development.	3/16/83	40,000		1-2 yrs.

PALAU (Cont'd.)

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
LAND SURVEY Obtain services of land surveyor to review land survey program in Palau, and make recommendations.	TA 3/22/83	4,000	4,000	1 mo.
FINANCIAL ADVISOR Help fund contracting costs of a specialist to serve as interim manager/advisor for the financial management system & EDP processing on the new computer installation.	4/28/83	40,000		1-2 yrs.

MARSHALL ISLANDS

PROJECT DESCRIPTION	DATE MOU	Obligated ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
MEDICAL REFERRAL Fund contract to review medical referral program in Marshall Islands to determine ways to control and/or reduce costs.	P.O. 1/26/83	10,000	10,000	1 month
FAA ASSISTANCE Assist in funding cost of FAA personnel to establish a civil aviation authority & civil air regulations and training of local personnel	10/1/82	87,000	87,000	1-2 yrs.
COMMUNICATIONS Help fund contracting costs of specialist(s) to serve as interim manager/consultant for communications & contracting costs to improve the local telephone system.	3/25/83	50,000		1-2 yrs.

TECHNICAL ASSISTANCE PROJECTS
10/31/83

Project Category	American Samoa	Guam	Northern Marianas	Federated States	Marshall Islands	Palau	FITI General	Virgin Islands	Total by Project Category
Financial & ADP	210,000	15,000	540,000	2,081,000	560,000	500,000	35,000	150,000	4,091,000
Revenue & Taxation	30,000	180,000	---	---	---	---	---	130,000	340,000
Health	---	---	175,000	221,000	30,000	---	---	---	426,000
Communications	---	---	---	165,000	50,000	75,000	---	---	290,000
Energy/Water Resources	68,000	150,000	30,000	---	---	---	---	150,000	398,000
Economic Development	21,000	73,000	---	125,000	---	40,000	---	---	259,000
Maintenance	---	70,000	---	90,000	---	---	---	---	160,000
General	26,000	---	---	---	87,000	20,000	78,000	150,000	361,000
GRAND TOTAL BY TERRITORY	355,000	488,000	745,000	2,682,000	727,000	635,000	113,000	580,000	6,325,000

DRAWDOWN OF FUNDS

Senator McCLURE. There's no question that a certain portion of the financial management problems faced by the governments can be traced to managment practices of the Department, a great many of which predate both of us, Mr. Secretary. One of those problem areas has been the drawdown of Federal funds by the Government. What is the current policy of the Department with respect to drawdown of funds by the governments?

Mr. SANJUAN. We have tightened that up very much in the last year. We are now doing it only on a quarterly basis, in most cases, and we are not—we have refused to authorize complete drawdowns of entire sums ahead of the requirements.

Also, since that policy was established, and with the able leadership of our new Under Secretary, we have insisted—we are going to insist on strict accountability before the next drawdown is available.

So that is the overall policy. Let me have our budget officer give you the particulars on it. This is Mr. Heggestad.

Mr. HEGGESTAD. Mr. Chairman, just to make a couple of additions to what the Assistant Secretary said, there are various types of funding projects in the territories. When we are talking about construction projects, much of our policy is still being formulated. I have been on board for about 2 months now, and I have spent most of those last 2 months working on developing the new policies. We're trying to adhere as strictly as possible to OMB Circular A-102, which is the basic grant regulations document put out by the administration, also bearing in mind the particular needs of the territories. In the case of construction grants, those that are appropriated for very specific purposes, our feeling is that we will not disburse any funds until we have a very clear and, as accurate as possible, an estimate from the territories of what their drawdown requirements are; what the construction schedule is. We do not think you can enter into a major construction project such as a hospital without having that type of schedule. And our intent is to make the payments meet that schedule.

In the case of operations funding, which is a much more general type of funding, we don't feel that we can necessarily withhold money just because we don't have a very clear schedule.

We are asking the territories for a schedule. We have already made that a part of our 1985 budget call to them. If we don't get information that we can use, then we will have to assume a constant flow of funds spread throughout the year on an equal basis.

We don't intend to withhold operations funds just because we don't have good information, but we will make assumptions.

Senator McCLURE. Is that policy in effect now?

Mr. HEGGESTAD. We are putting that policy in effect right now. We have written letters——

Senator McCLURE. What has been the policy to this date?

Mr. HEGGESTAD. As best I can evaluate it, coming in new, it appeared to me there had been quite a bit of laxity in enforcing many of the requirements under OMB Circular A-102.

We were quite concerned about it. The Assistant Secretary expressed that concern to me at the time I was interviewed and hired to take this job, and that was my first assignment. We are trying to do something about that.

MICRONESIAN FINANCIAL POLICIES

Mr. SANJUAN. I think you have noticed in the last year and a half certain milestones—I think that we can see all the milestones. But for example we have told some of the entities in Micronesia that certain policies for the increase of salaries would not be met with any commensurate requests on our part, or any increase in appropriations for operational purposes, because that was not economic development.

Of course that has not been heeded and there's a problem in that area. But we have been very, very strong. As a matter of fact, I think we were criticized for being rather tough or too tough in that respect.

I don't think you can really be too tough in that respect. There is a certain degree of commingling of funds that we have to be able to straighten out. This is a very diffficult thing, this is an age-old practice. It's also a practice that it can be understood. It has some explanation.

When you have limited facilities and limited people who can deal with budget matters, the easiest thing in the world is just to put all the money together and then to draw upon it as you need it for different occasions.

That period of development has coincided with the phasing out of the TTPI and it has not really been an atmosphere in which you could bring about fiscal responsibility in the most desirable way, but it can be done and it has to be done prior to the compact and it also has to be done in other territories.

With respect to American Samoa, I think we've got to temper our desire to bring that government out of its present financial problems with an understanding of some of the practices and some of the problems that have existed there, and I think that a certain degree of flexibility in reprogaming what has already been in effect with respect to construction, and even to operational funds, would be very useful; otherwise, we would only be throwing out the baby with the bathwater.

But nevertheless, we are doing I think a very conscientious job of setting a new set of patterns, a new set of standards. And finally, we have decided to do some projections, some 3- to 5-year plans with respect to the needs of the future, and I have hired another economist who is going to help Mr. Miller, who is my principal economist in doing these projections which will help us in figuring out what the needs for the technical assistance would be.

Senator MCCLURE. Let me ask a question here for a moment so that I can understand. If I understood both what Mr. Heggestad said and what you have said, particular construction or project funds depend upon the schedule for the commitment. You have tried to get that on a predictable schedule and match the drawdown of funds to the demand for funds on any particular project.

For general O&M funds you suggest that it's on a relatively more even basis throughout the year unless they show a need for something different than that general spread throughout the year. Is it an apportionment on a rather equal basis throughout the year?

Mr. SANJUAN. That's correct.

Senator MCCLURE. Then I would understand you, Mr. Secretary, to indicate that in spite of that general O&M disbursement upon a regular basis, you withhold funds in order to get them to do what you believe is the right way to manage their financial affairs internally. Am I correct in that?

Mr. SANJUAN. Well, to be very specific, I said that a 200-percent increase in salaries was out of the question, and that there was not going to be any assistance in meeting that and that I wanted them to know it, and I actually had the President of Palau and members of the Cabinet and so on come to——

Senator MCCLURE. So you exercise some control over their policy choices by the disbursement of funds?

Mr. SANJUAN. Correct. Or at least we hope.

POLICY IMPLEMENTATION

Senator MCCLURE. And you think that that policy over the past and the changing policy of the future in the transition that you're in right now is working well from the Department's point of view?

Mr. SANJUAN. I wish I could say that. I think it's working well in the sense that we are implementing it fairly regularly and without any desire to be terribly flexible; however, we are coming to a crunch, and the crunch is one that has to do with a number of payless paydays and a number of loans not serviced, and I'm very concerned about this transition period.

The transition period in Micronesia is one that is very, very short. The compact will be in effect if everything goes well and if you approve it and if the plebiscites go ahead and turn out to be positive, it will be in effect possibly within 1 year, a year and a half.

And we must have entities that understand fiscal accountability when that compact goes into effect.

Senator MCCLURE. Well, I hope that we have that, but at that point it becomes their responsibility. We hope we have given them the opportunity to develop the capability of discharging that responsibility for their own benefit.

Mr. SANJUAN. Well, sir, I have a terribly patronizing feeling, I guess, but I feel that even after that there is some moral and ethical responsibility on our part, and——

Senator MCCLURE. But not a legal responsibility.

Mr. SANJUAN. No, sir; not a legal one. But we certainly have a stake in the Pacific and we have to see that those economies do not go down the tube.

Senator MCCLURE. Did the territorial—excuse me.

Ms. McCoy. I wonder if I could interrupt a moment, Mr. Chairman?

Senator McClure. Of course.

Ms. McCoy. In the trust territory, since the start of 1982 we have been on a quarterly cash basis with very severe controls and very tight controls on it, and I think it has been a step in the right direction, both in training and in getting a better working knowledge—the Government's getting a better working knowledge of their money.

Senator McClure. Did they get their money quarterly?

Ms. McCoy. Dan?

Mr. Flaherty. They're held to a quarterly apportionment schedule, but we provide cash on a monthly basis.

Senator McClure. And do they get one-twelfth of their cash on a monthly basis?

Mr. Flaherty. No, sir. It cannot be drawndown regularly; it would depend upon their requirements because of the mix between O&M and capital improvements.

TIMELAG IN DISBURSING FUNDS

Senator McClure. All right. What's the timelag between the beginning of the fiscal year and the beginning of cash flow? What's the timelag from the begining of the month to actually getting the money in their hands? What's the timelag from that quarterly disbursement theory and the quarterly disbursement fact?

Mr. Flaherty. Upon receipt of a request from the governments, we deposit cash in their banks via telegraphic transfer within 24 hours.

Senator McClure. Upon receipt of a request?

Mr. Flaherty. That's correct, sir.

Senator McClure. I would assume that if you do it that fast, you haven't reviewed it. [Laughter.]

And if I understood you correctly, you said you reviewed them all.

Mr. Flaherty. Yes, sir, that-——

Senator McClure. Then your answer can't be quite right.

Mr. Flaherty. It's not that difficult to review it. We have an agreement with each one of the governments which I can provide for the record, which lays out the procedures in each category.

Senator McClure. You know, I get a report from the territorial governments that there's a 3, 4, 5-months' lag in getting the funds to them once their request is sent forward.

Mr. Flaherty. I believe, sir, you may be talking about authorization versus cash, actually getting it to the bank. I think we're talking about perhaps the time between when an appropriation is passed——

Senator McClure. What I'm trying to get at is how we go from appropriation to your review of their programs and approval of what they're doing, and then to the apportionment, to the commitment of money and finally to the actual obligation of money. The story I get from them is quite different than the story I am getting from you.

Mr. Flaherty. Sir, what I was addressing was only the actual deposit of cash which takes place after the process I believe you're asking the question on.

Senator MCCLURE. Are the governments right when they say there's a big timelag, or are they totally wrong?

Mr. HEGGESTAD. There is a timelag from the time that the appropriation is passed or enacted until the funds are actually available, and what happens there is first, after it's signed by the President, we have to go to the Office of Management and Budget with an apportionment request of our own.

Senator MCCLURE. How long does that take?

Mr. HEGGESTAD. The most recent one that I'm aware of, I believe took about 1 month from the time the 1983 appropriation was passed until the final apportionment action was taken.

Senator MCCLURE. You mean there's a month for the OMB to look at the figures and say, "By golly, they're entitled to that much money"?

Mr. HEGGESTAD. That month includes the apportionment as well, so it's not all time in OMB.

Senator MCCLURE. And then following that apportionment, how long does it take?

Mr. HEGGESTAD. If we have a disbursement that we know needs to go out, then it can be done instantaneously in some instances where we have a letter of credit system and we can wire a transfer of funds.

CONCERN WITH DELAYS

Senator MCCLURE. I have a little problem with this, because although Congress may be slow in developing the appropriation bill, it's not as though that burst is a star out of the blue upon unsuspecting people that never heard the subject before.

All you really are doing is fine tuning what the result of your budget requests that were developed over a year in advance from the time you make the request to the Congress. Congress takes a look at that through the hearing process and finally passes an appropriation bill which may be adjusted in some details from their budget request by the administration.

Now, that's all a pretty well understood process, I think, and it isn't a surprise to anyone when that's completed, even if Congress is late. And Congress is of course sometimes late for explicable and despicable reasons.

But regardless of that, that doesn't start the process. Congressional action is just one step in the process which has been going on for well over 1 year.

Why then does it take OMB 1 month to review the figures to determine that "By golly, there is an appropration bill passed."

Mr. HEGGESTAD. I didn't mean to imply that it took OMB 1 month because some of that time is spent in our office and within the Department preparing the apportionment.

I admit there is a timelag; it is a problem. One part of the nature of that problem is that this is a grant-type appropriation; it's largely a grant-type appropriation.

With that there must also be a grant offer made to the governments. It must be signed, and it must be returned.

Senator McCLURE. Well, many of those aren't grant-type apportionments, isn't that correct?

Mr. HEGGESTAD. Almost all the territorial funds are grants. Others are administrative accounts.

Senator McCLURE. But most of them are routine, aren't they? There's a basic core of that that is relatively routine.

Mr. HEGGESTAD. A lot of it is very routine.

Senator McCLURE. Dot every "i" and cross every "t" before the first dollar goes out?

Mr. HEGGESTAD. No, I'm just saying that there's a timelag involved in sending out a grant letter and having that signed by the Governor or the head of the territory and returned to our office.

That's one of the things I'm also looking into. First of all, we can always have the grant letter prepared, even before we have the apportionment on the assumption of what it will be, to speed things up so the grant letter can go out immediately.

We're also looking into whether we can put out a provisional grant letter prior to approval of the apportionment on the basis that the funds will be appropriated.

DELAYS IN RECEIVING FIRE EQUIPMENT

Senator McCLURE. Let me ask you a specific question, and maybe you can illustrate to me what the process is, because very frankly I'm both puzzled and more than a little angry.

Last year we appropriated funds for firetrucks for several of the governments in order to be in technical compliance with FAA regulations which require that workable firefighting equipment be on hand at an airport during landing and takeoff of commercial aircraft.

Current reports are that these trucks still haven't arrived. How long does it take to buy a firetruck and get it delivered?

Ms. McCOY. If we may, please, sir.

Senator McCLURE. Surely.

Ms. McCOY. Mr. Adelman has been in—he's our fire chief, so to speak, he's the one who's been in charge of that.

Senator McCLURE. The fire chief.

Mr. ADELMAN. Actually, it's budget. The firetrucks are expected to arrive in November of this year. The firetruck manufacturer—we have picked the manufacturer that offered the shortest delivery time available of seven manufacturers that bid on the trucks. And that was a 180-day delivery to the west coast, plus, of course, our normal shipping time to the islands.

The contract was entered into last month. A part of the delay was involved in meeting with people on Guam, the U.S. Navy as well as the Government of Guam, and in developing specifications for not just a pumper or a crash truck, but to get as much as we could with the money available.

Senator McCLURE. You know, that's incredible; 14 months from the time the money is available till the time the truck is there in order to comply with a Government regulation.

What would you have done if they'd grounded all the aircraft in the meantime? You would have been all right—you're sitting here.

Ms. McCOY. No, he wouldn't.

Senator McCLURE. All right. Maybe you like to be isolated in Saipan where we can't get to you.

Ms. McCOY. It has its advantages, sir. [Laughter.]

Senator McCLURE. But Mr. Secretary, do you find a 14-month delay satisfactory?

Mr. SANJUAN. I certainly do not. I think it's terrible; I also, however, feel that we are burdened with regulations and fettered with what the administration has——

Senator McCLURE. You write them, you administer them. We pass the laws, we'll take the responsibility for that. From then on it's up to you.

Mr. SANJUAN. Well, we will look into streamlining all regulations and all the fetterings that have——

TRUK CHOLERA FUNDING

Senator McCLURE. Let me point to another one. In the 1983 bill, we included $1,599,000 in emergency funds to assist in the cholera epidemic on Truk. Those funds were apparently not received until late March of this year, almost 3 full months from the time the bill was signed into law.

That appropriation was made to meet an emergency. It was viewed as an emergency. Why does it take 3 months to get money dispersed to apply to an emergency situation?

Mr. ADELMAN. Mr. Chairman, one point that you made is correct: The last of the money did go to the FSM on March 16 of this year, but the initial money, $1 million, as a matter of fact, went the day that we got the grant letter, grant offer, on February 8.

We could not offer the money to the FSM until then—because of administrative problems that we have.

Senator McCLURE. But why did it take 5 weeks to get the first out?

Mr. ADELMAN. On February 8, we requested the FSM to submit a plan to us for the use of the——

Senator McCLURE. It was appropriated in December.

Mr. ADELMAN. That is correct.

Senator McCLURE. And you asked on February 8.

Mr. SANJUAN. I don't mean to be picky, but it was December 30.

Senator McCLURE. December 30.

Mr. HEGGESTAD. This is the 30-day delay that I was talking about——

Senator McCLURE. But the plan was already there before we appropriated it. We appropriated in response to the plan.

Mr. ADELMAN. Could I point out that the FSM made a request to us to send the money to them on February 10 and we allotted the administrative——

Senator McCLURE. Why did they have to ask that you send it? We appropriated it to meet an emergency which you said you had out there.

Mr. ADELMAN. Their request was in response to our request asking for more detailed plans as to the use of the money.

Senator McCLURE. What we are requesting, to find out how many died during January? [Laughter.]

Mr. ADELMAN. No, sir. In particular we were asking for more information as to the construction program and we've got someone here that I believe can enlighten you further on that aspect of the program.

Senator McCLURE. On fighting the cholera epidemic?

Mr. ADELMAN. Yes, sir.

Senator McCLURE. But that plan had been submitted to us not by them, but by you. If you didn't know enough about it, why did you submit the plan?

That wasn't an original budget request, but it was a proposal by you that we meet an emergency.

CABLE FOR FUNDS

Mr. ADELMAN. The request, I believe, was in a cable to both yourself and Chairman Yates from the FSM, and the money was appropriated in response——

Senator McCLURE. But you'd never heard of it until we appropriated the money, is that what you are saying?

Mr. ADELMAN. We had not heard of it immediately after the cable was sent, but we had seen the cable by the time the money was appropriated.

Senator McCLURE. Before the money was appropriated.

Mr. ADELMAN. I believe so.

Senator McCLURE. You know so, I think.

Mr. ADELMAN. We were not the first office to receive the cable, so I'm not sure exactly when we did receive the cable.

Senator McCLURE. But you did know the cholera epidemic was there?

Mr. ADELMAN. Yes, sir.

Ms. McCOY. Oh, yes, sir.

Senator McCLURE. And you'd known that before the cable was sent?

ACTIONS TO ERADICATE CHOLERA

Mr. SANJUAN. The actions with respect to the cholera epidemic were rather swift, and the appropriation of the funds has to do with one aspect of it, but the actions that were taken by the Federal Government with regard to the cholera epidemic were irrespective of the funds.

I just want to make very sure that nobody thinks that we sat here until February 8 waiting for some money before we did anything about cholera. We were doing things about cholera all along.

The Washington office, other offices in the Washington area, other departments, and the High Commissioner's Office. Very, very swift action was taken with respect to the cholera, and I'd be very happy to read you the chronology of events.

I know that that does not apply to this $1½ million, but I just don't want to give the impression that we sat here like idiots waiting for people to die in droves before we did anything about it.

Senator McCLURE. Well, I think that's a fair comment, Mr. Secretary, and I wouldn't want to leave that impression either. I welcome that addition to the record.

The fact remains that even though the appropriation was not available till December 30, that was not the time the Congress took the action, that's when the President signed the action that Congress had already taken.

We were out of here before Christmas. I remember that it was not much before Christmas, but we had completed our work and left here. So this didn't just spring out of the blue at you. You had more than a little information about what was happening and what was intended by it. In an ordinary budget process, it would seem that you would ask them to tell you how they're going to spend it. You would then develop a program proposal and review it and hash it over with them and finally you approve it. You then get them to approve it and then you come back through and request the funds. Yes, that takes time.

Mr. SANJUAN. In the meantime, the fervent activity of all our offices had to do with meeting the need for experts, for epidemiologists, for doctors, for sanitary engineers, to send chemicals as quickly as possible, and that was going on from August 29 through September, October, November, and it's a fairly—I think, a fairly impressive record of the number of activities that we're taking.

We basically mobilized several agencies within the Federal Government, and a few international agencies, and the result of which was, in spite of all the inferences that are made that the matter was not taken care of, that the cholera epidemic was stopped, and that today there is some sort of certification that no more cholera exists in terms of new cases, and therefore, according to medical terms, that means the epidemic is over.

As I said to Chairman Yates yesterday, or the day before—and I mean this—I don't believe that the cholera epidemic is over just because the doctors say that. I am not trying to throw that in as a great revelation—but I do think that the cholera epidemic has been arrested. It's a very complicated medical subject, where there is cholera and what there is, and I gather that there are many parts of the world that have cholera, and where cholera can break out, including other parts of the Pacific and even parts of Europe.

But it's a question of the propitious circumstances and it's a question of taking advantage of the celerity with which you can send technicians and sanitary experts and doctors and the medicines necessary, and in that area, I think we acted rather well, and in concert, and we worked, also—I don't think that any of the credit that is due to the FSM and the—particularly the island of Truk, should be taken away.

Everybody worked very closely together, and that's why we kept the number of confirmed deaths down to 4, the suspected deaths to 17, and prevented a real general disaster.

Senator McCLURE. Well, I don't mean to harp on those two instances. There are others that I could bring up. But I pointed to those because both of those dealt with matters that affected health and safety, one of which was in specific response to a Government regulation that says you can't land those aircraft unless you have operable firetrucks. And you don't have, do you? Every landing, every takeoff, from those airports is in violation of Federal law.

Mr. JORDAN. Mr. Chairman, to my knowledge, the aircraft that land at the airports of the trust territory have authorization from FAA.

Senator McCLURE. A waiver?

Mr. JORDAN. Possibly, yes, maybe a conditional waiver. They have firetrucks on site.

Senator McCLURE. Operable?

Mr. JORDAN. Otherwise they would not land.

Senator McCLURE. Are they operable?

Mr. JORDAN. To the best of my knowledge, they do operate.

Senator McCLURE. And workable?

Mr. JORDAN. To the best of my knowledge, yes, sir.

Senator McCLURE. My staff asked, "Do they tow them around the airport——

[Laughter.]

Senator McCLURE [continuing]. To meet that test?" Matter of fact, you know, it's not very easily defensible. That FAA regulation has a reason, because public health and safety is involved. I don't think we can easily say we can justify operations that are in violation of our own rules, and I certainly am not comfortable with the notion that it takes 14 months to buy and deliver a firetruck. Now, if, indeed, it took that long, then I would suggest that there are probably more questions asked, more redtape performed, more i's dotted and t's crossed than is necessary, in view of the necessity for getting action completed.

Again, I don't wish to harp on that, but that's the kind of problem that keeps recurring with respect to our responsibilities in the trust territory, and to our flag territories.

Mr. SANJUAN. Mr. Chairman, there is talk behind me and around me that some of this—not all of it, but some of it—has to do with shipping problems, manufacturing problems, and length of time it takes to get a nonmass-produced item like a firetruck out to where it goes. But not all firetrucks are alike, and these particular firetrucks are specifically different from others——

Senator McCLURE. Oh, I suspect they are specifically different for a variety of reasons, some justifiable and some not.

I remember when we had to put a front door on the post office in my home town. Anybody else in town would have gone down to the lumber yard and bought one. Not the Government. No; it took about 1 year to get specifications written, a door manufactured and installed, and meantime the old one kept banging away, and it worked all right. There wasn't any emergency. We could tolerate that.

But why would we in this kind of an instance quibble over detail when we should be getting the firetruck out there?

Mr. SANJUAN. We don't quibble over detail. We are trying to get them there as fast as possible.

Senator MCCLURE. You test my credulity when you say 14 months is as fast as possible.

Mr. SANJUAN. No; I didn't say that. I said that we try. [Laughter.]

But it is as fast as possible by any means.

Senator MCCLURE. All right.

TERRITORIAL DESK OFFICERS

Mr. Secretary, how many desk officers do you have in your office?

Mr. SANJUAN. We have essentially three desk officers; however, we have a very active participation in those desk officer matters, so that I have got about three or four people besides the desk officer working on these particular questions.

And then, I consider myself a desk officer, so you can add me to the list. I deal with desk matters quite directly, because I talk to the Governors and I take them in hand. I don't believe that I like to leave the desks in contact with the territories on a very long, continuing basis. I meddle a lot in their affairs.

Senator MCCLURE. How are their responsibilities divided, or assigned?

Mr. SANJUAN. We have one desk officer who deals with Guam, who deals mostly with Guam, and then she also covers some of the problems of the entities of Micronesia, although those are more problems that we deal with through the High Commissioner, and we get our information from her—who obviously has what you would call desk officers over there.

Then we have another one who deals with the Northern Marianas and some other Micronesian problems.

We have a desk officer who doubles as the Samoan desk officer and as the Virgin Islands desk officer, although in both of those cases and in the case of Samoa, I participate rather directly.

Mr. Downs, who is on my right here, is extremely knowledgeable in all of the areas. He has served both in the Caribbean and in the Pacific, and he is my sort of super desk officer.

Senator MCCLURE. So you have got those three specific ones, and then you say there are three or four others. But are these the three primary desk officers?

Mr. SANJUAN. No; we are the primary desk officers. I am, Mr. Downs is, and so on. And then my desk officers actually assist us in fulfilling the responsibilities that we think the desk officers should fulfill.

Senator MCCLURE. Does that mean that the desk officer doesn't bear direct responsibility; that they simply kind of do the things you leave over for them to do? Or do they have specific responsibility?

Mr. SANJUAN. When I assign them, directly, but I do a lot of assigning and a lot of meddling every day.

IMPLEMENTATION AND ADMINISTRATION OF POLICY

Senator McCLURE. But, what I am trying to get to is who is responsible for the daily policy, the implementation, and the administration of policy, dealing with Guam? One person?

Mr. SANJUAN. I am.

Senator McCLURE. Well, ultimately, the President of the United States is, and——

[Laughter.]

Senator McCLURE [continuing]. Jim Watt is, and you are. Do you do it all?

Mr. SANJUAN. I am—I will ask my special assistant or my financial officers to involve themselves, depending on what kind of a problem it is, and then I have the desk officers sort of handle the details of solution of the problem.

It is a little bit of an ad hoc situation. You cannot deal with matters as complicated as these and involving as many problems as they do on a—you know, by the rules, one, two, three, four basis.

Senator McCLURE. OK.

Mr. SANJUAN. So it depends on the thing. If it is something that is not very reactive, the desk officer may deal with it and tell me about it.

Senator McCLURE. OK.

Mr. SANJUAN. But if it is anything that I think is important, then I take a hand in it, and I demand knowing immediately what the problem is.

STAFF TRAVEL

Senator McCLURE. How many times have you visited Guam in the last year?

Mr. SANJUAN. Once.

Senator McCLURE. How many times have you visited the Virgin Islands in the last year?

Mr. SANJUAN. Once.

Senator McCLURE. How many times have you visited the trust territories in the last year?

Mr. SANJUAN. I have been to Saipan once.

Senator McCLURE. How many times have you visited American Samoa last year?

Mr. SANJUAN. Twice.

Senator McCLURE. How many times has your desk officer responsible for those areas visited those territories within the last year?

Mr. SANJUAN. My Guam desk officer twice. I have had my special assistant go there another two times, and Mr. Downs has been there twice, I believe. We also have somebody on Guam, as you know, on a constant basis. We have Mr. Perez on Guam on a constant basis. He is there, physically.

Senator McCLURE. So if I understand it correctly, you have been to Saipan once in the last year, but you have never visited the FSM or Palau?

Mr. SANJUAN. That's correct.

Senator MCCLURE. Or the Marshalls?

And your desk officer has been there once?

Mr. SANJUAN. Where?

Senator MCCLURE. To the FSM, Palau, and the Marshalls.

Mr. SANJUAN. Oh, no. We have had a number of people go to the FSM and Palau.

Senator MCCLURE. I wasn't talking about a number of people; I was talking about the person primarily responsible, aside from yourself.

Ms. MCCOY. Me.

Mr. SANJUAN. Well, we have the trust territory and we have the High Commissioner, and she does a lot of traveling.

Senator MCCLURE. I understand that, and I understand that she is very much involved in those. You have been to American Samoa once?

Mr. SANJUAN. Twice.

Senator MCCLURE. Twice. Virgin Islands once?

Mr. SANJUAN. Yes.

Senator MCCLURE. And the desk officer primarily responsible has been to those territories once or twice in the last year.

Mr. SANJUAN. The desk officer has been there twice. It also depends on the amount of time.

Senator MCCLURE. All right. All right. You and your primary desk officer visited those territories, in the aggregate, two or three times in the last year?

Mr. SANJUAN. Yes.

And other people from my office have visited them for other reasons, at other times during the year.

STAFF ORGANIZATION

Senator MCCLURE. I understand that. I am trying to get down to how you have organized to meet the responsibilities that you have, and how, indeed, you administer that responsibility. I frankly don't understand, if, as a matter of fact, you and the principal desk officers don't visit more often than that, how you keep on top of the problems.

Through the High Commissioner's office in the trust territory, you have much more presence there, and much more individual and immediate contact, but I don't see that on the other side.

Mr. SANJUAN. Well, you can, you know, do it on a statistical basis, or you can do it on a specific basis, of when we had a very serious financial problem looming in American Samoa, which I became convinced was there in my last trip to American Samoa—I was there with two of your assistants, Frank Cushing and Jim Bierne—I asked the Inspector General to do an audit, and the Inspector General sent his special auditors over there, and gave me a report.

Then I asked the solicitor, the deputy solicitor of the department, to go to American Samoa, and he went and spent about 3 or 4 days there. I also asked my desk officer to spend some time there, and as a result of the aggregate of all of these views and the contact that I have on a

more direct basis with people in American Samoa, and the chief justice of the high court, and the deputy chief—I mean, the chief judge and the deputy chief judge of the high court, I came to the conclusion, after the report came in, that we had to act on something that was getting very serious.

So, I--you know, we have spent a considerable time, for example, in that specific instance, in American Samoa. And I can give you other examples, with respect, again, to the Virgin Islands, if you wish, and with respect to the other areas.

The trust territory, since it is covered so thoroughly by the High Commissioner, we don't—I have not been traveling there, and I should, and I will take a trip there. I have had other requirements that keep me in Washington, and a number of hearings, and unfortunately, the timing for my trips has been somewhat fouled up by unforeseen developments.

But we have sent numerous people through the trust territory, and then again, we have part of the deal—part of the dealings that we have with the trust territory are very closely tied into negotiations. These negotiations are rather delicate, and when the negotiators are going through, I try not to get involved in matters that might affect the negotiations until after that period is over.

With respect to the plebiscite information program, I have had two or three people from my office traveling consistently, through the plebiscite areas, as well as several experts that we hired from the outside who also accompanied them, and looked into the plebiscite program.

So I feel relatively comfortable with the fact that when we need to have somebody on the spot, we do.

REQUIREMENT FOR PLEBISCITES

Senator McCLURE. Mr. Secretary, negotiations on the future political status of Micronesia began in 1969. In what year did the administration decide that there should be a local plebiscite on any concluded agreement, as a matter of policy?

Mr. DOWNS. Mr. Chairman, I will try to respond to that.

I can't say the earliest date in the history of the negotiations, but it was certainly in the draft compact initialed by President Kabua and Ambassador Peter Rosenblatt on January 10, 1980.

Senator McCLURE. Well, it must have been before that time that it was originally decided that it would be required, wasn't it?

Mr. DOWNS. It must have been proposed as part of that draft before that time. I believe it's section 411 of the draft compact.

Senator McCLURE. But we had a plebiscite in the Marianas in 1974?

Mr. DOWNS. That's correct.

Senator McCLURE. That is several years prior to 1980.

Mr. DOWNS. In 1974.

Mr. CRALEY. 1975.

Mr. DOWNS. 1975. April 1975?

Mr. CRALEY. June 1975.

Mr. DOWNS. There was a plebiscite in the Northern Marianas, and so there was ample precedent for having plebiscites.

Senator MCCLURE. But was there a policy decision made that would it be held at some period?

Mr. DOWNS. Well, Mr. Chairman, I know of documents going back to the early 1960's in which a plebiscite was discussed as a means to terminate the trusteeship.

Senator MCCLURE. But the discussion is not necessarily the decision on a policy.

Mr. DOWNS. Yes; and it seems to me that the decision was a mutual one, reached at least as early as January 10, 1980.

Mr. SANJUAN. There must have been—this is purely off the top of my head, but United Nations Trust and United Nations policy always involves the concept of eventually having self-determination determined by a plebiscite, so there must have been something of that all along, even since we got the trust territory.

Senator MCCLURE. Well, there is some evidence, at least, as early as 1974 or 1975, that a plebiscite would be required. And you're correct, I'm sure, that there were discussions going back into the 1960's with respect to how this would be accomplished and whether or not a plebiscite should be required.

REQUIREMENT FOR VOTER INFORMATION

All I am trying to get to is, when did we first know that a plebiscite would be held? It wasn't a new idea. It's something that we have known about for a long time, in one way or another. Did that decision, however or whenever arrived at, include a requirement that there be a political education process to inform the voters of the agreed document?

Mr. DOWNS. To my knowledge, Mr. Chairman, the decision that the U.S. Government should be involved in some way in a voter information program, to precede the plebiscite, was stated firmly in the last 6 months of the Carter administration, when it became clear that all three governments would initial the draft compact of free association.

Of course, it has been clear for a number of years that political development is part of our commitment to the trust territory, and for many years there was an education program, there were political status discussion programs held in the trust territory as early as the 1960's and as late as the constitutional convention in 1979.

There was an ongoing program called the education for self-government program, which, I believe, ended, pretty much, although some of its activities continued, after 1979.

COMPACT OF FREE ASSOCIATION

Senator MCCLURE. The compacts of free association were signed in October-November 1980 by Ambassador Rosenblatt.

Mr. DOWNS. They were initialed, sir.

Senator MCCLURE. Yes; then they were subjected to a review by the new administration leading to the Maui round in October 1981.

Mr. DOWNS. That is correct, sir.

Senator MCCLURE. At Maui, the administration endorsed the compacts and a statement by Under Secretary Hodel was read, I believe by you, at that meeting.

Mr. DOWNS. Yes. Thank you, sir.

Senator MCCLURE. Which stated that the United States would fund, but that the Micronesian Governments would run, the plebiscites. Is that correct?

Mr. DOWNS. I believe that the statement said we would ask the Governments of Micronesia to develop plans for the plebiscite program and submit them to us for consultations to determine an amount of funding for the Federal contribution to the Micronesian program. It was made clear in that speech that the U.S. Government would rely on the Micronesian Governments themselves to carry out the program.

It would be—well, actually, it would be foolhardy to try to run programs in distinct foreign languages and in the cultural environment, that U.S. officials simply could not try to run the program

Senator MCCLURE. We had gone through a similar program in the Marianas earlier. Is that correct?

Mr. DOWNS. That's correct.

Senator MCCLURE. Did we learn anything from that Marianas experience, as to the cost or the potential cost of such a program?

Mr. DOWNS. I believe that the cost—although I have heard that no Federal funds were used in the Northern Marianas for the education program. The big difference here is that the Micronesian Governments were established, the Micronesian Governments wanted very much to manage the voter information programs, and wanted very much to have some financial assistance in doing so.

Senator MCCLURE. There were, as a matter of fact, at the Maui meeting, discussions of potential cost, were there not?

Mr. DOWNS. To my knowledge, there was no Micronesian-developed plan until April 6, 1982.

Senator MCCLURE. But even if there was not a developed plan, there were discussions about what kind of a program it might be.

Mr. DOWNS. At Maui, the Carter administration proposal for a $500,000 education program and a $250,000 plebiscite was in fact discussed.

TIMING OF REQUEST FOR PLEBISCITE FUNDS

Senator MCCLURE. You knew that the plebiscites were probably going to occur. That was a matter of policy, a matter of decision certainly made before fiscal year 1983. Why didn't you request funds in the fiscal year 1983 budget submitted in January 1982, or even make a request at the time of the hearings in May 1982? You could have even notified the committee of the need for these funds in a request for additional funds prior to floor consideration and conference in December 1982?

Mr. DOWNS. Mr. Chairman, the U.S. representatives and those of the Micronesian Governments, all recognized that sometime in the future there would be a plebiscite on the compact of free association when it was finally agreed to.

The Government of the Marshalls at that time was moving ahead very quickly to finalize the remaining agreements. They anticipated that they would need additional public affairs funds and requested a larger amount in their normal operating budget.

The other Micronesian Governments did not see a need to do that because they were much further behind, in a certain sense, in the negotiating process.

Throughout the last year and a half, it has been extremely difficult to predict exactly when there would be agreement on the language of the basic agreements that would be put before the people of Micronesia.

At one time it looked as though the Marshalls alone would go to a plebiscite. Soon after that it appeared as though Palau alone would go to the plebiscite, and it was not until November 28, 1982 that we received the final Marshallese proposal, or final so far. It has since then been increased, not in writing but in words, for a plebiscite program.

Senator MCCLURE. But it seems to me that you knew far enough in advance of the relative certainty. That was as certain as many other items in your budget, and you had specific requests from each of the governments involved.

Mr. DOWNS. In the original planning strategy for the fiscal year 1983 budget, you are correct, Senator. There it was mentioned that there could be a need for plebiscite funding.

Senator MCCLURE. They gave you specific amounts in their requests to you, did they not?

Mr. DOWNS. At the time the 1983 budget was being planned, we had only one specific request.

Senator MCCLURE. But before you submitted it to the Congress. There's a time lapse between the time they make their formal submission and the time you make your formal submission to the Congress.

Mr. DOWNS. No; our fiscal year 1983 submission occurred in the first week of February 1982. On April 6, 1982 we received the first plan from a Micronesian Government, that being from the Federated States of Micronesia.

Senator MCCLURE. Isn't it true that in the May/June 1982 timeframe there were serious discussions with the Marshalls of a plebiscite in late summer or early fall, and by late August the administration had agreed to a plebiscite in Palau, which was originally scheduled for December 10?

Mr. DOWNS. I believe that on August 21 or thereabouts, the administration had agreed to a November 21 date for Palau. Palau had not at this time submitted to us a proposal for the amount of funding they believed they would need from the United States for the education program.

That was not received until—and I'll have to check this date, but I believe it was September 10, sir.

Senator McCLURE. Well, in all honesty it seems to me that there was sufficient certainty, or at least sufficient reason to expect that both the plebiscite would occur and that there would be dollar requests for it. It could have been included within the budget cycle before we in the Congress passed that act.

Failure to submit it led to a failure of the Congress to be able to react to it at all. Then when the activity occurred, as it predictably would within that fiscal year, you had to resort to reprograming your request in order to provide the money. Is that not correct?

Mr. DOWNS. It is true that it could have been part of the fiscal year 1984 budget, and I think would have been part of the fiscal year 1984 budget.

Senator McCLURE. It could have been a part of the 1983 budget.

Mr. DOWNS. I think that's difficult to imagine because of the status of the negotiations themselves.

Senator McCLURE. But you did know by early fall, did you not, of the plebiscites?

Mr. DOWNS. By early fall, 1982, the fiscal year 1983 budget was already being considered here, and had been submitted many months before.

Senator McCLURE. But we didn't pass it until mid-December. So there was a period of several months in which you had the information, but did not provide it to Congress.

Mr. DOWNS. It was not until November 16 that we received the Marshalls' request for $538,000.

Senator McCLURE. I understand that, but you still had an idea that there would be a plebiscite and there would be a cost.

Mr. DOWNS. No one denies that we knew there would be a plebiscite.

Senator McCLURE. And you knew that Palau was going to do it as well. What you're suggesting is that even though you knew it was going to occur in the fiscal year, you didn't make any budget requests because you hadn't received a specific program request from them; is that correct?

Mr. DOWNS. I would certainly agree that we knew that some plebiscites were extremely likely to be held, the one in Palau, for example. At that time we did not know when the FSM might hold a plebiscite and we certainly had no way of knowing when the Marshallese might hold a plebiscite. And, in fact, I think that timing is difficult to estimate even today.

However, funds were made available in time to allow the Micronesian Governments to proceed with their education programs and their plebiscites on their own schedule.

PALAU PLEBISCITE COST OVERRUN

Senator McCLURE. Do you plan to request a supplemental to meet the estimated $200,000 in cost overrun in Palau?

Mr. DOWNS. With the emphasis on the word "plan," we do not. We have not received from Palau a breakdown of exactly what their expenses were for. We have cabled Palau and informed them that in order to seek a supplemental, we would absolutely have to have that kind of detailed information.

Senator McCLURE. And if they provide it?

Mr. DOWNS. If they provide it, we will review it.

Senator McCLURE. And if you review it?

Mr. DOWNS. We'll come to a conclusion.

Senator McCLURE. A date was originally set when the $300,000 was requested and approved. The date was set, but then the date was changed once and then changed again further.

Does it seem reasonable to you that if the date is delayed, and that, therefore, the information program is extended over a longer period of time than originally contemplated, that it will cost more than originally contemplated?

Mr. DOWNS. Sir, it is possible that an adequate information program informs the people adequately and after that point, it's a question of persuasion.

I believe that an adequate education program was performed in Palau. I am extremely sympathetic to the fact that they incurred $200,000 or something in that vicinity in addition to the amount that the Federal Government was willing to make available to them.

It was extremely clear that $300,000 would be made available to them as a topmost limit in our own budget planning.

Senator McCLURE. Well, I think you are as aware as I am that the information or education program didn't operate in a vacuum. There was a contest for allegiance with respect to the voters' feelings that was active right up to the day of the plebiscite; is that not correct?

Mr. DOWNS. I think I agree with your point, yes.

Senator McCLURE. And you feel that the information program had no responsibility or no national purpose from the standpoint of the United States to continue to provide information during the period of time when there were others actively trying to persuade and change minds?

Mr. DOWNS. Sir, I think it was an extremely good program. I myself went to some outer villages in Palau to Ngiwal, Melckeok, and Ngchesar.

Senator McCLURE. During which period of time? Prior to the original date?

Mr. DOWNS. In late November.

Senator McCLURE. Prior to the original date?

Mr. DOWNS. After the original date. Prior to the second date and prior the third.

Senator McCLURE. Then you knew that there was an ongoing educational program going on at that time?

Mr. DOWNS. That's right. I did.

Senator McCLURE. It seems obvious to me that if you're aware of that and you knew the date was being extended, that there was a greater period of time that required those activities or in which those activities were voluble, that there might well be a request for additional funds.

Mr. DOWNS. I am hopeful that the Republic of Palau will give us a very detailed breakdown of exactly what was spent for the plebiscite program.

And it may be that we need to look very closely at the additional $165,000, which was the more frequent figure I hear that was spent.

I have seen that some letters have been sent to people who counted votes saying that they could not be paid because there was simply not enough money.

Counting votes seems to me to be a normal function of government and perhaps that should be taken out of the operating expenses of the Government of Palau. And why it is not is simply a decision that Palau has to make.

COMMUNICATION WITH PALAU

Senator McCLURE. Mr. Sanjuan, I have a copy of a telex in which you stated, and I quote: "My staff has fought hard to gain congressional approvel of the amount that was finally obtained for Palau." You also in that telex warn them that there was no currently forthcoming additional money.

In the same paragraph you said, and I quote: "At the same time, however, we defended Palau's program and asked Congress to make any additional contingency funds available, and to alleviate any cost overruns."

If I recall correctly, the contingency funding was not for Palau.

Mr. DOWNS. The contingency fund was not labeled as being directed toward any particular government.

Senator McCLURE. The request of Congress was a reprograming request, not an additional funding request, is that not correct?

Mr. SANJUAN. Right.

Senator McCLURE. So when you look at Congress refusal in February to reprogram, it is in no way associated with Congress refusal to come up with the additional money?

Mr. DOWNS. I think that is pointed out in the next sentence of the cable, sir. I think we say, "If you would like to pursue the supplemental, we will need very detailed justification."

REPROGRAMING REQUEST

Senator McCLURE. Well, as I recall the request for reprograming, it referred to the additional expenses in the Marshalls and did not refer to the additional expenses in Palau.

Mr. DOWNS. Sir, I will read from the reprograming request.

Senator MCCLURE. OK.

Mr. DOWNS [reading]. Extraordinary circumstances of conducting plebiscite and information program activities in Micronesia chould change estimates of program needs. The 2,100 islands of Micronesia are spread over an area the size of the continental United States and primary methods of travel are by boat and by infrequent plane service. Erratic weather patterns endemic to that region often hamper those modes of transportation. In addition to the physical and geographic difficulties, problems may arise due to the complexity of the material and because the material must be translated into 11 distinct languages. Such problems as these may lead to delays in program plans, and thus amounts necessary for programs may change.

It was meant to include Palau.

Senator MCCLURE. It wasn't clear to us that it was meant to include Palau. Perhaps we didn't read it correctly, but there are two issues there. One, for whom was it intended, and second, the difference between reprograming to take away from the fuel reserve and a separate budget request. What I was trying to get to earlier in my questionings was that it was an anticipated expense that could very well have been covered by a budget request rather than waiting and asking for a reprograming. Congress, in rejecting the reprograming, had both questions in mind, I suspect, and it had nothing to do with whether or not the Congress felt there should be more money made available for that purpose.

I do thank you for your testimony today. I recognize, Mr. Sanjuan, that there is extreme difficulty in dealing with some of these questions and they're not always clear-cut.

Some of my questions have been rather pointed because I think you sense our frustration in the delays. I know you have frustrations with respect to those delays. I can assure you also that I have been told that the people who are affected by them are frustrated as well.

Did you have a comment, Ms. McCoy?

Ms. MCCOY. Just one last remark, Mr. Chairman, if I may. I am bringing to your staff today a complete late update on the Enewetak support program. It will bring you up to date on our three big programs: agriculture, the motor sailer, and the food situation. And I'll turn it over to your staff.

[CLERK'S NOTE.—The report is contained in the subcommittee files.]

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you very much. And thank you, Mr. Secretary. We will have some further questions which we will submit to you in writing for response for the record.

MR. SANJUAN. Mr. Chairman, your questions are sharp and they're well aimed and they're very helpful. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Financial Management Training and Assistance

Question: Specifically what financial management training and assistance has been provided to the three flag territories and to the Northern Marianas? How much of this training and assistance has been provided through the technical assistance program?

Answer: The financial management training and assistance provided to the three flag territories and the Northern Mariana Islands follows:

Guam - $150,000 - design and automation of tax/revenue system. This project will provide for the automation of all tax/revenue information for Guam. (A new financial system was instalied in FY 1981.) In addition, we are funding an IRS training course for the tax personnel on Guam and Territorial and International Affairs staff has two technical assistance staff stationed on Guam. They are working on the tax project.

Virgin Islands - $150,000 - Financial Management System Improvements. This project will provide for improvements to the financial management system in the Virgin Islands. It will emphasize time and attendance reporting as well as leave records. TIA has a permanent technical assistance person stationed in the Virgin Islands. He is assisting the Virgin Islands Government to write financial procedures and manuals, as well as monitoring progress on the financial management project.

Northern Mariana Islands - $25,000 - Administrative/finance procedures for hospital - $25,000. This project provided for the development of procedures for the hospital. We have a technical assistance staff person stationed on Saipan and he is provided training and assistance to the finance staff.

We plan to fund the installation of a new financial system in the Northern Mariana Islands during Fiscal Year 1985.

American Samoa - We did not initiate any financial assistance projects but we are planning to assist the government to install a new finance system and provide training assistance. We also have advertised for the hiring of a permanent technical assistance staff person who will be stationed in American Samoa.

Drawdown Requests

Question: Do the territory governments share the view of the Department in this regard or have they registered complaints that the policy doesn't work well for them? If they have registered complaints, what is the nature of these complaints? Has the Department taken any steps to resolve these problems and, if so, what are they? If not, why not?

Answer: The territorial governments have indicated to the Department that the process for drawdown of cash is slow. Cash is not available to the territorial governments on the day the Appropriation Act is signed into law, several steps occur before cash can be made available. They are:

1. The Department must receive a warrant from Treasury;
2. The Department must submit and OMB must approve an apportionment;
3. A grant offer must be mailed to the territorial governor;
4. The acceptance must be signed and returned to the Department. The grant cannot be legally obligated without an original signature of both the grantor and the grantee; and
5. The territories must submit Standard Form 270 to request drawdown of cash.

The Department shares the concern with the territories that the process is slow. We are also concerned, however, that cash may be drawn down from the U.S. Treasury in advance of need by the territory.

The Department has begun a more detailed review of drawdown requests and expects that in the future, drawdown requests will match an existing schedule. The

Department will attempt to take steps to lessen the time involved in obligating the grant. The actual drawdown of cash, however, is something over which the Department will insist on strict control. If it appears that cash is being drawn down in advance of need, steps will be taken to ensure that drawdown not continue.

Financial Management Activities

Question: Besides the situation involving the drawdown of funds, what other financial management activities of the Department have been identified as problem areas that need to be resolved in concert with what is done to assist the territories? What steps are being taken to resolve these identified problems?

Answer: The accounting system that services the Office of Territorial and International Affairs has been criticized as not providing timely and accurate reports. A new system was implemented beginning in fiscal year 1983. This new system, with its more detailed and more timely reports, will enable OTIA to manage the grant program for the territories more effectively. In FY 1984, OTIA will begin to look at ways to automate the management information system that is required to provide ready information both to and about the territories.

Technical Assistance and Enhanced Operations and Maintenance

Question: Turning for a moment to the Technical Assistance and Enhanced Operations and Maintenance Programs, my review of the budget justification leaves me somewhat puzzled as to just exactly what is happening with the funds for these programs. With regard to Technical Assistance, the justification indicates that out of some 5 million, 470 thousand dollars appropriated, you have committed 2 million, 920 thousand dollars, or about 53 percent of the total. Of these committed funds, how much has actually been forwarded to the governments to carry out identified technical assistance activities?

Answer: We have actually committed and obligated over $6 million for technical assistance projects in the territorial areas. Of this amount over $4 million has been committed, obligated, or disbursed to the territorial areas financial and ADP projects. Smaller, but still substantial committments of funds have been made in the areas of Health, Communications, Energy/Water Resources, Economic Development, etc. Although funds in this amount have not actually been disbursed to the territories, requests for reimbursement or advance of these funds are being submitted by the territories once the projects are underway or are ready to begin. Approximately $1.2 million has actually been distributed to the territorial areas.

Outlay Rate for Technical Assistance Program Requests

Question: It would seem that there is an extremely low outlay rate for this program. Have the governments been responsible to your requests for identified technical assistance needs? Has the Department had a difficult time determining which activities it will provide assistance for and which it won't? Are these institutional problems which make it difficult to outlay these funds at a faster rate?

Answer: Except for American Samoa, all of the governments have been responsive to our program requests. We have received their list of technical assistance requests in priority order and we have responded to each of the governments by providing funding for their high priority requests.

In some instances, we choose not to fund some projects because, the requests were for equipment purchases and not assistance. For other projects, we have requested additional data on how the government intends to accomplish the projects. We have obligated the entire $2,500,000 provided in FY 1982 supplemental and are working on developing projects for the balance of the funds made available in Fiscal Year 1983. Since the program is relatively new, we are using the time to better define the program goals and we are working closely with the island governments. (Please see Answer to Question 3.2 for a list of outlays).

1984 Budget Request for Technical Assistance

Question: In reviewing your budget request of $900,000 for technical assistance in fiscal year 1984, I can't help but get the feeling you only want this much because you expect a large carryover of 1983 funds. Haven't the territory governments in fact identified legitimate technical assistance needs far in excess of what you have requested in fiscal year 1984? What is the total amount of technical assistance needs identified by the governments which you feel represent legitimate and necessary projects?

Answer: All the territorial areas have responded to our requests for a priority listing of technical assistance needs. The needs identified include a wide range of projects. The most critical appear to be in the area of financial management systems, health care and economic development. We are in the process of addressing these requests and working with the territorial areas to provide the assistance and funding necessary to meet their critical needs. We anticipate the total projected funding to meet the legitimate technical assistance projects through FY 1984 to be approximately $9 million. Any carryover of our present technical assistance funds will fall short of meeting these needs.

Technical Assistance Program

Question: You have in the past stated your strong support for technical assistance, do you still share my belief that TA is perhaps the most useful tool we have in assisting the territory governments? Don't you believe that an aggressive program now will ultimately result in savings to the Federal government in future years? If so, why then have you taken so long to outlay available funds, and why have you requested so little for 1984?

Answer: We do support the technical assistance (TA) program and believe that it will provide the types of assistance needed by the territories.
We have not in any manner delayed the outlay of funds and are working on establishing projects for each territory. As you know, the program has been in effect for a little over a year. Our approach was to request a list of technical assistance projects from each of the territories. We received formal written requests from the Virgin Islands, Palau, Federated States of Micronesia, Guam and Saipan. We did not receive formal requests from the Marshall Islands and American Samoa. We have funded the high priority projects for each territory and are in the process of funding additional projects before the end of the fiscal year.

In the case of Guam, we had to wait for the new governor to provide us with a list of his technical assistance requests. We are sending a staff person to American Samoa in order to develop specific TA projects. During the recent budget hearings, the Marshall Islands Government assured that a formal TA request would be provided to Territorial and International Affairs.

At the same time, we have an ongoing study to determine what resources other Federal agencies have devoted to TA for the territories and the types of other assistance they can provide in the future.

I have enclosed the list of TA projects initiated since the start of the program in Fiscal Year 1982.

AMERICAN SAMOA

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
POWER RATE STUDY		50,000		
TOURISM PUBLICATION		21,000	21,000	

TTPI

PROJECT DESCRIPTION	DATE MOU	ESTIMATED COST	FUNDS ADVANCED	PROJECT PERIOD
FINANCIAL MANAGEMENT SYSTEM - MARSHALLS Installation of a financial management system in Marshall Islands. Includes cost of equipment, software & training of personnel.	4/1/83	520,000		FY 83
FINANCIAL MANAGEMENT SYSTEM - PONAPE Installation of a financial Management System in State of Ponape. Include purchase of hardware, software & training of personnel.	4/1/83	526,000		FY 83
LAW ENFORCEMENT TRAINING 36 Micronesian policy officers to attend law enforcement training program at Alaska Police Academy.	4/1/83	43,000		13 wks.
Archives Project		50,000		

ATTACHMENT II

SCHEDULE OF PROJECTS PROPOSED

for FUNDING with BALANCE

of T.A. FUNDS

Guam	$370,000
Northern Mariana Islands	720,000
Virgin Islands	200,000
Federated States of Micronesia	100,000
Palau	105,000
Marshall Islands	150,000
American Samoa	380,000
General	229,000
TOTAL	$2,254,000

SUMMARY OF PROJECTS

PROPOSED FOR FUNDING

A. Guam

Project	Estimated Amount	
1. Small Business Center	$75,000	
2. Hatchery Study	5,000	
3. Computer operation improvements	25,000	
4. Development of improved procedures for processing of business permits	15,000	
5. Water resources and tropical agriculture	200,000	
6. Statistical data base for tax and other data	50,000	
		$370,000

B. NMI

1. Crime/court statistical system	$50,000	
2. IRS tax assistance	40,000	
3. Park maintenance program	30,000	
4. Agricultural program	100,000	
5. Finance system	500,000	
		$720,000

C. American Samoa

1. Financial Management system	$150,000
2. Billing system-power plant	30,000
3. Management, organization, and procurement improvement projects	80,000

4. Water system program assistance for village water system	50,000	
5. Economic feasibility study for Marine railway and cannery expansion	70,000	
D. Virgin Islands		$390,000
1. Water/energy planning assistance	$ 75,000	
2. Financial System Improvements	125,000	
		$200,000
E. FSM		
1. Medical referral coordination/support services in Honolulu	$40,000	
2. Lab assistance-State of Truk	60,000	
		$100,000
F. Palau		
1. Land survey/appraisal assistance	$50,000	
2. Medical referral coordination/support services-Honolulu	25,000	
3. Management organizational study	30,000	
		$105,000
G. Marshall Islands		
1. Medical referral coordination/support services-Honolulu	$50,000	
2. Financial advisor	40,000	
3. Tax revenue system	30,000	
4. Nurse training program	30,000	
		$150,000
H. General		
1. Air service study-part of Department of Transportation study for Flag territories	$10,000	
2. Implementation plan for development of medical officers school in Micronesia	100,000	
3. Formation of regional tourism council for Pacific Basin	25,000	
4. Energy seminar on conservation and efficiency of power use in homes, businesses, etc.	30,000	
5. Miscellaneous (travel of DOI staff consultants)	64,000	
		$229,000
TOTAL		$2,254,000

SUMMARY

of

TECHNICAL ASSISTANCE REQUESTS

Territory	Total Amount Requested
Guam	$ 571,000
Virgin Islands	510,000
NMI	1,330,000
American Samoa	71,000
Trust Territory of the Pacific Islands	
FSM	4,345,000
Marshalls	707,000
Palau	1,190,500

TECHNICAL ASSISTANCE REQUESTS

as of May 31, 1983

Project-Guam	Amount
1. Develop and Implement Automated Revenue/Tax Systems	$150,000
A. Training	30,000
2. Small Business Center	20,000
3. Financial/Budget Training	15,000
4. Establish a One-Stop Development Permit Process	15,000
5. Analysis-Off-Shore Lending/Int'l Banking Opportunities	20,000
6. A & E Design for Acquaculture Hatchery	25,000
7. Feasibility of Dredging Agana Bay	25,000
8. Park Maintenance System	30,000
9. Catfish Hatchery	6,000
10. Maintenance System-Public Buildings and Facilities	40,000
11. Federal Crop Insurance	25,000
12. Computer Center Tape Library	25,000
13. Tropical Agriculture	25,000
14. Socio-Economic Planning and Administrative Training	33,000
15. Street Atlas and Numbering Project	30,000

16.	Tax Law Assistance Program	10,000
17.	Marine Weather Information Service	40,000
18.	Cartographic Design Capabilities	7,000

TOTAL $571,000

Project-Virgin Islands		Amount
1.	Financial Management System	$300,000
2.	Caribbean Center	150,000
3.	Training and Assistance on Procurement	30,000
4.	Preventive Maintenance Program	30,000

TOTAL $510,000

Project-Northern Mariana Islands		Amount
1.	Health Planning and Hospital Administration	
	A. (1) Individual develop staff/administrative plans	$100,000
	(2) Consulting firm develop staffing/admin plans	50,000
	B. Construction Project Director	150,000
	C. Electrical/Mechanical Engineers	180,000
2.	Public Works Specialists	90,000
3.	Health and Environmental Services	25,000
4.	Financial Specialists	70,000
5.	Planning and Budget	50,000
6.	Commerce and Labor	100,000
7.	Natural Resources:	
	A. Lands and Survey	35,000
	B. Parks and Forestry	30,000
	C. Animal Health and Husbandry	100,000
8.	Personnel and Education Specialists	100,000
9.	Development of Tax System and Procedures	50,000
10.	NASA Power Study	40,000
11.	Review of Map Survey & Mapping Probelms	5,000
12.	Development of Administrative Procedures	25,000
13.	Nursing Manual	25,000
14.	Power Plant Training	30,000

15.	FMS System	500,000
16.	Court Statistic System	75,000

TOTAL $1,830,000

Project-American Samoa		Amount
1.	Power Rate Study	$ 50,000
2.	Tourism Publication	21,000

TOTAL $71,000

Project-Federated States of Micronesia		Amount
	Part A National Priorities	
1.	FSM Telecommunications Corp. Advisors	$280,000
2.	Billing & Collection Management Advisor	70,000
3.	Expert Advisor-Engineering & Maintenance Control	120,000
4.	Health Management/Hospital Administration Advisor	80,000
5.	Sea Transportation Systems Study	150,000
6.	Technical Advisors in Substantive Public Works	240,000
7.	CIP Engineer	110,000
8.	Project Management Advisor/Trainer	540,000
9.	Technical Health Skills Trainer Team	130,000
10.	Education Administration Advisor	70,000
11.	Livestock Expert	60,000
12.	Marine Biology/Acquaculture Expert	150,000
13.	Community Agricultural Organization Advisors	200,000
14.	Dietetics/Nutrition Advisor	60,000
15.	Financial Management System	2,000,000
16.	Financial Advisor	45,000
17.	Financial Management System-oversight	10,000

TOTAL $4,345,000

Project-Marshall Islands	Amount
1. Financial Management Systems	$500,000
2. Communication Advisor and Training Assistance	50,000
3. Study of Medical Referral Program	30,000
4. FAA Assistance	87,000
5. Accounting Advisor	40,000
Total	$707,000

Marshalls:

In addition to the projects identified above with estimated funding, we are also addressing with the territorial government, other areas of concern for which funds have not been estimated. These areas include: maintenance engineers, police and nurses training, and energy planning.

Project-Republic of Palau	Amount
1. Planner	$ 50,000
2. Electrical Engineer	80,000
3. Management	50,000
4. Land Survey (Phase I)	3,500
5. Industrial Electrician	70,000
6. Budget Training and Tax Assistance	20,000
7. Water/Sewer Specialist	70,000
8. Air Conditioner/Refreqeration Specialist	70,000
9. Laboratory Technician Training	25,000
10. Hospital Administration/Record System	15,000
11. Education Curriculum (Phase I & II)	20,000
12. Federal Grants Training	10,000
13. Curriculum Training (Phase III)	20,000
14. Embalming Training	--
15. Evaluation Standards	10,000
16. Health Assessment	5,000
17. Drug Enforcement Training	37,000
18. Grants Conference	20,000

19.	Archives Project	50,000
20.	Financial Management System	460,000
21.	Communication Advisor and Training Assistance	75,000
22.	Management Study of Government Structure	30,000
23.	Payment for Generators	--
	TOTAL	$1,190,500

OMB 1984 Budget Restrictions

Question: What restrictions did the Office of Management and Budget place on you in this regard as you moved to prepare the 1984 budget?

Answer: No specific dollar limitation was placed on technical assistance funding with the initial preparation of the FY 1984 budget. An overall ceiling was imposed, and technical assistance, like all other aspects of the budget, was funded to the extent possible within the overall dollar ceiling.

Enhanced Operations and Maintenance Funds

Question: Like technical assistance funds, we continue to receive reports that very little -- if any -- enhanced operations and maintenance funds have been received by the Trust Territory governments. The Congress provided $8,700,000 for enhanced O & M in the 1983 Appropriation Act. How much of this has been specifically committed and how much has actually been outlayed and thus made available to the governments?

Answer: All of the $8.7 million has been committed to the Micronesian governments, but some of the funds have been committed or outlayed by them. The fund allotments to the government will be made upon review and approval of their individual plans of action for use of the special Operations and Maintenance funds.

Operations and Maintenance Needs

Question: For what specific purposes have you so far committed funds? Have further needs been identified by the governments? Has the Department made any effort to work with the governments to outline a plan for the use of these funds? If so, please provide a copy of each such plan for the record. If not, why haven't you developed such plans with the governments?

Answer: Upon approval of each government's planned use of the funds, the funds will be made available for those needs identified in the May 1981 Operations and Maintenance Study, prepared by a team of experts from the Department of the Interior, the Trust Territory, the U.S. Army Corps of Engineers, and the Pacific Naval Engineering Command. More specifically, the funds will be used for spare parts, equipment, utility maintenance supplies, skilled personnel, and training programs. Based on the needs identified in the May 1981 Operations and Maintenance Study, the $8.7 million of special Operations and Maintenance funds have been distributed as follows: Palau - $1,209,000; Marshalls - $2,140,000; FSM - $5,351,000.

Needs in addition to those identified in the Operations and Maintenance Study have been identified by the governments. These additional needs include upgrading the local telephone systems, additional generator overhaul, purchase of dumpster trucks, relocation of offices, renovation of government housing, and drydocking of ships. However, a policy decision has been made to first fund those needs identified in the May 1981 Operations and Maintenance Study.

Trust Territory officials are currently working with the governments on the development of a plan of action for use of the special Operations and Maintenance funds. We are now awaiting the Micronesian governments' input to these plans. The basis for these plans will be the May 1981 Operations and Maintenance Study, which has previously been supplied to the Committee. Specific instructions for

the development of the action plans were contained in a memorandum sent to each President (sample attached).

Plans for Operations and Maintenance Funds

Question: Don't you believe that the development of such plans with the governments is a necessary step which will benefit the territory governments in terms of identifying priority areas of need and the administration in terms of saving on maintenance costs in future years? If you haven't developed such plans, will you do so within the next two to three months?

Answer: We believe that the Micronsian governments should play a major role in the development of plans for the use of the special Operations and Maintenance funds. That is why we have asked them to prepare a plan of action, based on the May 1981 Operations and Maintenance Study, for use of their share of the special Operations and Maintenance funds.

Enhanced O & M Needs

Question: Please provide for the record a list of all enhanced O & M needs identified by OTIA or the governments and include a projected dollar amount for each.

Answer: The Office of Territorial and International Affairs concurs with the needs identified in the May 1981 Operations and Maintenance Study. In fact, the Office of Territorial and International Affairs was represented on the Study and played a major role in its development. The needs identified in the study, and the costs of those needs (over a three year period, in thousand of dollars), are shown below:

Government	materials and Supplies	Shop Tools and equipment	Vehicle Equipment	Manpower	Total
Kosrae	458	75	1,345	1,239	3,117
Ponape	888	222	988	1,367	3,465
Truk	942	235	1,053	1,061	3,465
Yap	426	81	1,265	1,276	3,048
Subtotal	2,714	613	4,651	4,493	12,921
Palau	681	155	864	1,235	2,935
Marshalls	671	213	2,213	2,067	5,164
Total TT-Wide	4,066	981	7,728	8,245	21,020

In addition, the FSM and the Marshalls have identified additional Operations and Maintenance needs. The FSM request funds for: (1) 20 experts, to be shared among the four states, in power operation, heavy equipment, hospital equipment and facilities, sewage and water, and maintenance control and management (these 20 experts may be funded from the $5,351,000 available for the FSM in FY 1983); and (2) $700,000 for the upgrade of the FSM telephone system (this will not be funded, since emphasis is being placed on those needs identified in the Operation and Maintenance already). The Marshall Islands made a series of specific requests, some of which may be funded by the $2,140,000 available to them in FY 1983 for special Operations and Maintenance. These Marshall's list follows:

1.	Repair, renovation and/or replacement of: education buildings, public safety buildings, Ebeye and Majuro courthouses, public works facilities, broadcast station, reefer plant, airport tower and terminal building	$1,026,000
2.	Repair and renovation of government housing	104,000
3.	Drydocking - 3 Microclass ships and LCY	100,000
4.	Dock maintenance projects (Jaluit and Majuro)	325,000
5.	Maintenance work on outer island airports	400,000
6.	Relocation of resources and development and public works	287,000

7. Maintenance of transmitter site	99,000
8. Renovation of Dalap Reservoir	68,000
9. Purchase of dumpster trucks - Majuro/Ebeye	605,000
10. Overhaul of generators - Majuro/Jaluit	375,000
11. Public roads repair with asphalt	50,000
12. Spare parts pool for heavy equipment	100,000
Total, Marshall Islands	$4,139,000

Grant Process

Question: These are just two examples of what I consider irresponsible actions -- or inaction -- on the part of the administration. I am aware of several other such examples and I have no doubt there are more which we will never hear about. Is the Department doing anything to resolve this problem? If so, what and when? If not, please provide for the record a report of the steps that must be taken to resolve this extremely serious problem.

Answer: There exists a rather lengthy process designed to ensure that grant funding is obligated and drawn down according to the intent of the appropriation. In the case of the Trust Territory, the process is even longer because there is a sub-granting element introduced. The Department will attempt to take steps to guarantee that each aspect of the grant process is completed as quickly as possible and that the next one is initiated as quickly as possible. The Department will not make cash available before it is legal to do so, but will do whatever it can to hasten the long process.

Travel of Desk Officers

Question: Please provide this detailed information, including dates, for the record for the past five fiscal years, and include your projections in this regard for fiscal years 1983 and 1984.

Answer:

GUAM

ROCHE, Margaret	2/24/78 - 2/28/78
ROCHE, Margaret	6/04/78 - 6/07/78
DEYOUNG, John	1/12/79 - 1/15/79
DOWNS, E.C.	9/17/80 - 10/05/80
DOWNS, E. C.	12/14/80 - 12/21/80
DOWNS, E. C.	2/13/81 - 2/17/81
DOWNS, E. C.	8/30/81 - 9/04/81
BOONE, Nancy	12/06/81 - 12/14/81
BOONE, Nancy	7/10/82 - 7/18/81

AMERICAN SAMOA

ROCHE, Margaret	9/20/77 - 10/16/77
ROCHE, Margaret	11/26/79 - 12/07/79
ROCHE, Margaret	9/26/80 - 10/06/80
ROCHE, Margaret	12/30/80 1/10/81
DOWNS, E. C.	1/07/82 1/27/82
BOONE, Mancy	12/04/82 - 12/12/82
O'BRIEN, Ana	12/04/82 - 12/12/82

TRUST TERRITORY OF THE PACIFIC ISLANDS
NORTHERN MARIANA ISLANDS

ROCHE, Margaret	2/28/78 - 3/05/78
ROCHE, Margaret	5/24/78 - 6/04/78
DEYOUNG, John	1/16/79 - 1/31/79
HAYDON, Trevor	11/29/79 - 12/16/79
DOWNS, E. C.	6/11/80 - 7/04/80
HAYDON, Trevor	10/28/80 - 11/08/80
DOWNS, E. C.	12/14/80 - 12/21/80
BOONE, Nancy	1/10/81 2/21/81

DOWNS, E. C.	2/03/81 - 2/13/81
DOWNS, E. C.	1/07/82 - 1/27/82
DOWNS, E. C.	10/06/82 - 10/14/82
NEVILLE, Laurie	10/28/82 - 11/25/82
DOWNS, E. C.	11/12/82 - 11/28/82

VIRGIN ISLANDS

DOWNS, E. C.	1/28/79 - 2/5/79
DOWNS, E. C.	6/27/79 - 6/29/79
O'BRIEN, Ana	10.05.82 - 10.10.82
DOWNS, E. C.	1/19/82 - 1/22/83

It is not possible to project the amount of travelling that our desk officers will do in FY 1984 or for the remainder of FY 1983. Travel is performed on an as--needed basis, by the person charged with responsibility for a particular issue. This may or may not be a desk officer.

Time Requirements for Desk Officers

Question: Does OTIA have any requirement or guideline on how much time desk officers should spend in the field? If so, what are they? If not, why not?

Answer: There is no requirement or guideline as to how much time a desk officer should spend in the field. Travel is encouraged when the situation warrants. The Department believes that travel to the field is important for staff of OTIA. Within the constraints of funding and workload, travel is performed on an as-needed basis.

The everyday requests for information regarding specific territories are handled by policy analysts or specific program officers in the Office of Territorial and International Affairs. Because of the particular aptitude and interests of the policy analysts, inquiries regarding Guam are currently handled by one policy analyst, the Northern Marianas and the Trust Territory are handled by another and Guam and American Samoa are handled by a third. Economic issues are handled by a program officer who is the staff economist; technical assistance matters are handled by the office of technical assistance in consultation with the policy analysts, and budget matters are handled by the budget office in consultation with the policy analysts. So that the policy analysts will have more time to deal with these three areas (economics, technical assistance, and budget) in greater depth, an information officer has been assigned to handle the routine requests for information on the territories that our office receives every week.

The office has always sent "desk officers", program officers, or policy analysts to the territories when visits have been necessary.

As you know, our office has frequently provided staff members to accompany congressional visits to the territories. Many members of the staff have visited the territories twently or thirty times, and are quite familiar with the people and the issues in particular territories. We plan to emphasize on-site visits to monitor construction projects, and we believe that travel to the territories is a necessary part of our mission to strengthen the ties between the island governments and the Federal Government.

Requirements for Regular Travel

Question: Do you agree that it makes sense to require desk officers to spend more time in the field? Do you have plans to implement such requirements in the future? If not, will you develop plans to implement such requirements? What kind of time frame can and will such plans be developed and implemented?

Answer: It does not make sense to place requirements for regular travel on the desk officers. It does, however, make sense to encourage travel when the situation warrants travel. At this time, there are no plans to require travel on a prescribed schedule. Travel requirements are a necessary aspect of the desk officer positions. When the need arises to have a desk officer in the field, one is sent.

Trust Territory of the Pacific Islands Operations

Question: Turning a moment to the Trust Territory of the Pacific Islands operations, I notice that you intend to reduce your personnel level to 222 employees. Of these 32, 22 are employees of the Department of the Interior. Seven of these 22 DOI employees losing their job are expatriates while the remaining 15 are Micronesians. None of the people who are DOI employees but are also under U.S. Civil Service are being let go. This appears to me to be somewhat inequitable. Can you explain why only non-Civil Service employees will lose their job?

Answer: Most of the United States Civil Service employees of Trust Territory of the Pacific Islands Headquarters have already been released. Civil Service employment figures for prior years are as follows: FY 1978-84, FY 1979-76, and FY 1980-60. Employment at Trust Territory Headquarters for all groups has dropped proportionately, as follows:

	Civil Service	Expatriate	Micronesian	Total
June 1980	30	103	261	394
January 1981	30	90	219	339
June 1981	29	92	212	333
January 1982	28	94	183	305
June 1982	16	75	130	221
January 1983	15	71	112	198
May 1983	14	58	103	175

The balance of approximately 15 U.S. Civil Service employees is essential until termination of the U.N. Trusteeship. Therefore, the reductions proposed for FY 1984 for Trust Territory of the Pacific Islands Headquarters will only affect non-U.S. Civil Service employees.

Reduction in U.S. Civil Service

Question: This situation has not always been practiced in the past, why are you proposing to do it for fiscal year 1984? Is there any job protection for expatriates or Micronesian employees similar to that offered civil service employees?

Answer: Because of previous reduction in U.S. Civil Service employees, no further reductions are proposed for this group. The FY 1984 reductions will only affect non-United States civil service employees.

The non-U.S. civil service employees are also accorded certain job protection benefits. These benefits are summarized below:

a. Micronesian employees are employed under TTPI public service regulations, title 61, and have job protection benefits under TTPI Executive Order 121, which establishes the appeals board, and Administrative Directive No. 80-2 which sets forth reduction-in-force policies and procedures.

b. Expatriate employees, under both prime contracts and local hire contracts, are also covered under title 61 and applicable TTPI executive orders and administrative directives, but sign contracts with specified termination clauses. I.G. prime contracts - 60 days, local hires - 10 days.

Affect of the Reductions

Question: Isn't the reduction of solely expatriates and Micronesians going to jeopardize the effectiveness of your office in working with the Trust Territory governments? If not, why not?

Answer: We expect not. These reductions are proposed as a result of the continuing transfers of governmental functions to the Micronesian governments. While the level of staffing and funding for TTPI Headquaarters has been substantially reduced in past years, we are still capable of performing those functions necessary until termination of the U.N. Trusteeship - these reductions have been in response to requests for transfer of government functions by the

Micronesian governments themselves. However, we do not anticipate any further reductions at TTPI Headquarters until termination of the U.N. Trusteeship.

Placement of the Micronesian Employees

Question: What kind of work are these proposed 22 people now doing and who did you expect will pick up the lack of their workload? For the record, please provide a brief job description of each of these 22 employee and indicate the location or locations of their employment.

Answer: All of the proposed 22 people are located in various offices in Saipan. The reductions are proposed due to the decreased workload in their areas, as a result of the increased responsibilities of the Micronesian governments. The location and a brief description of each of the 22 people follows:

A. Headquarters Facilities and Housing - 1 Micronesian
   1. Building Maintenance Supervisor - supervises general maintenance work done on housing and government buildings.

B. Procurement and Supply - 1 Expatriate
   1. Secretary I - normal secretarial duties

   3 Micronesians:
   1. Supply Technician I - Handles operation of light equipment for heavy cargo.
   2. Tariff Specialist II - Certifies freight bills for household effects movement and storage, etc.
   3. Supply Specialist I - Handles operations of serv--mart for headquarters.

C. Finance - 3 Expatriates:
   1. Accountant I - Reconciles and bills categorical grants.
   2. Accountant III - Posts general ledger and reconciles general ledger accounts.
   3. Accountant IV - Provides support and training to local government finance offices.

   6 Micronesians:
   1. Accountant I - Prepares bank reconciliations.
   2. Accountant I - Prepares payable vouchers for headquarters vendors.
   3. Accountant I - Collects cash, writes receipts, prepares deposits for TTPI Headquarters.
   4. Accountant I - Prepares bank reconciliations.
   5. Accountant II - Bills outside government entities and vendors for TTPI Headquarters.
   6. Accounting Technician II - Certifies availability of funds against Headquarters accounts.

Official Employees of OTIA

Question: For the record please provide the number of employees officially assigned to OTIA of whose salaries are paid out of funds appropriated to OTIA, but perform greater than 50 percent of their daily tasks for offices of the Department of the Interior other than OTIA. Include in this list the percentage of work not conducted for specific OTIA activities, the location or locations where the non-OTIA work is performed, and the salary associated with such non-OTIA work.

Answer: Nori L. Uchida - GS 12/7 $35,248 - Minerals Management Service
100 percent reimbursable detail

Daniel MacMeekin GS 15/5 $55,025 - All on staff of Northern Mariana
John A. Cutler GS 13/2 $36,094 Islands Commission on Federal Laws,
Dianne Brickey GS 7/5 $18,767 created by P.L. 94-241, Section 504.
Michelle Monroe GS 2/2 $9,987

Plebiscites for the Marshalls

Question: Isn't it true that in the May-June 1982 time frame, there were serious discussions with the Marshalls of a plebiscite in late summer or early fall and by late August the Administration had agreed to a plebiscite in Palau which was originally scheduled for December 10? With those discussions and agreements, why did you choose not to request any funding despite Interior's commitment to fund the plebiscite until January of 1983? Were you waiting until after an appropriation was enacted to force a reprogramming rather than supplemental funding?

Answer: The reprogramming request was not developed until all three governments had submitted reasonable funding estimates, had signed the Compact, and had taken steps to organize a program that would effectively inform the voters. On-site visits by key staff members familiar with the particular sensitivities of the program occured in October and November, contributing to the development of the request. The submission of a second, larger request by the Marshall Islands on November 16, 1982, required a reassessment of the proposed reprogramming and revisions of the draft reprogramming letter. From the time the request was finished in the Office of Territorial and International Affairs, it was shepherded through the Executive Branch without delay.

Cost Overruns of the Plebiscites in Palau

Question: The original date for the plebiscite in Palau was December 10, 1982. That was later changed to January and then to February. Given the delays, did it occur to Interior that the additional two months might result in additional costs over what you anticipated when you originally agreed to $300,000 for Palau?

Answer: Although a number of dates for the plebiscite were discussed, including one as early as November 5, the legislature of Palau enacted only one law setting forth the time frame for the plebiscite. Palau Law 1-43 specified: "The plebiscite and referendum for the ratification of the Compact of Free Association shall be held no later than February 10, 1983 . . ." In Interior's reprogramming request of January 10, 1983, we asked for a contingency fund of $217,617 for the purpose of covering unexpected cost overruns. Palau's Minister of Finance and Administration informed us in May, 1983, that Palau had expended $165,000 in excess of the $300,000 that had been made available for the plebiscite program. Our contingency fund request was turned down by the Congress on February 10, 1983, and we were not, therefore, in a position to take action to fund the unexpected cost overruns of the Republic of Palau.

Plans to Request a Supplemental

Question: Do you plan to request a supplemental to meet the estimated $200,000 in cost overrun and to reimburse the fuel contingency reserve, and if not, why not?

Answer: At this time, there is no plan to request a supplemental. We will examine Palau's accounting for the Plebiscite funding and determine whether or not costs were incurred over and above our contribution that could warrant additional funding. Only then, can we be in a position to consider recommending a supplemental.

Insular Development Fund

Question: You have requested $2 million for organization and startup costs for an Insular Development Fund. What specifically do you plan to do with the $2 million? Have any papers or organization materials been prepared so far?

Answer: For FY 1984, $2 million is needed to prepare rules and regulations, to staff and equip the Fund, and to prepare the investment studies and project prposals that will enable the Fund to start lending at the beginning of FY 1984. A central task to be accomplished during FY 1984 will be the preparation of a development strategy for each territory. This strategy will make use of existing development plans and will develop priorities among public sector and private sector projects.

Territorial Development Fund, Start-up Costs, FY 1984.

- Contract for preparation of regulations, staff plan, etc.: $600,000
  - research legal requirements; EEO, OSHA,, procurement, etc.
  - prepare bylaws, internal rules and regulations, prepare detailed loan application procedures and forms: collateral, liens, assignments, etc.,
  - prepare staffing plan, position descriptions,
  - project administrative expenses: salaries, overhead, travel, printing, etc.,
  - project income from interest and guarantee fees, rates of disbursement and repayment.

- Contract for preparation of lending strategy for each territory: $500,000
  - send loan survey team to each territory,
  - summarize development plans and priorities of each territory,
  - prepare lending strategies, including priority projects for fund financing or guarantees,
  - identify additional sources of development capital.

Recruit and hire staff: $400,000

- recruit within Federal Government, private sector, territories,
- hire full time staff to total 12 by end of year,
- rent space and equipment, anticipated to be in Interior Department.

Prepare projects for Fund loans and guarantees: $500,000

- assist territories to prepare projects based on lending strategies,
- assist territories in loan and guarantee application procedures,
- Work with private financial institutions to develop sources of guaranteed loans and additional capital,
- design and implement monitoring procedures for outstanding loans.

Authorization for the Fund

Question: When do you propose to transmit an authorization for the Fund?

Answer: The date for transmission of an authorization request will be determined by the interagency review process. We have completed work on the request.

Justification of the Fund

Question: You note in your justification that the Fund would be used in areas such as "Public Infrastructure: Water, Sanitation and Schools." Do you consider these to be economic development projects? Do you expect the private sector to provide funds for schools?

Answer: The reference is to a plan of operation for the fund. The full paragraph on social infrastructure is quoted below:

Social Infrastructure: Water, Sanitation, and Schools:

Public capital improvement projects have been primary areas of Federal capital expenditures in the territories. The Fund generally would not provide funding for them because expenditures for such projects do not normally provide revenue

for repayment. It could, however, participate in finding new solutions involving a mix of Federal and local, public and private, resources for developing the vital social infrastructure.

Capitalization of the Fund

Question: What is the total capitalization of the Fund? How will these funds be obligated? The Virgin Islands, alone, has identified about $40 million in water and power needs over the next four years. The Northern Marianas has significant needs in water distribution. Guam has requested $11 million for Tumon Bay and Samoa has a recognized if undetermined need for power as well as harbor development such as the Marine Railway. These are all preconditions to economic development in areas such as tourism or fisheries. Do you propose that the Fund will handle all this? You have included "housing" as some of the objectives of the Fund. There are already a variety of housing programs available. Is the Administration unable to structure those programs to meet the needs of the territories and use existing expertise? Why cannot that be done for schools from the Department of Education? For Fisheries and Tourism from Commerce? For Electric Power from REA or other authorities (Agriculture has blanket authority to waive or modify any statutory or other restriction in extending a program to the territories)?

Answer: The total capitalization will be $30 million. Leveraging of part of the capitalization for loan guarantees on a 4:1 basis will permit guaranteed loans of $60 million in addition to $15 million in direct loans. We do not propose that the Fund will handle all of the listed needs. They will, as always, be handled through a variety of sources, Federal, territorial, and private.

Comprehensive Program

Question: If Interior adopted a comprehensive program using, as appropriate, a mixture of loans and grants for each territory to provide a viable maintenance, water, sewage, and power system, education facilities, health care facilities, transportation facilities such as roads, docks, and airfields together with a program to train local people and retrain periodically supplemented by a hiring program to certify contract employees where local capability is absent, including federal support as necessary to cover the costs - in short, if Interior provided the basis for economic development first, wouldn't we be in a better position to evaluate the need for such a fund for private sector economic development?

Answer: In our judgment, the time has now come to establish a fund for both private and public sector economic development. Interior has done much to provide the basis for economic development. We do not, however, believe that Interior should be the only source of such funding or that loan financing through a development fund should be delayed until some ideal "basis for economic development" has been provided.

Medical Referrals from Insular Areas

Question: The problem of medical referrals from the various insular areas remains a significant problem for a number of governments. Some steps have been taken by individual governments to correct this problem, including the hiring of a physician on a part time basis to constantly review patient's cases and send patients home from the hospital at the earliest point during recovery as possible. What is the Department doing to assist the governments in resolving this serious problem?

Answer: TIA requested the development of an action plan to reduce the length of stay for patients at the Tripler Medical Facility. This plan indicated that savings can be realized by contracting with a physician in Honolulu to review patient cases and move these patients out of the hospital into other lodging while they are recuperating or awaiting additional medical treatment. This plan was performed using the Marshall Islands as a model and the results were presented to all of the Micronesian governments at a health conference held in Honolulu during March, 1983. To date, only the Marshall Islands Government has expressed interest in implementing this plan.

Effort to Resolve the Problem

Question: Has the Department worked with any of the governments to coordinate a joint effort to resolve this problem? If so, what is the progress of this coordinated activity? If not, why not?

Answer: As mentioned, we presented the plan to all governments and urged their joint cooperation in establishing the assistance necessary in Honolulu. Currently, the Marshall Islands Government is pursuing the matter with the other governments.

Other Available Methods to Resolve the Problem

Question Is the Department aware of other methods (besides the one mentioned above) available to solve this problem? Has the Department requested assistance from other Federal agencies to determine other ways of resolving this problem? If so, what were the results of those requests? If not, why not? Will you make such a request of other Federal agencies? When?

Answer: Establishing the Honolulu coordination assistance is the first step. We then would have the doctor(s) in Honolulu travel to the island governments to review the on-site referral program to determine if improvements can be made to reduce the number of referrals by enhancing on-island health care. We also have asked the governments to explore the possiblity of charging patients for a portion of costs especially if these individuals have the financial means. Moreover, we are working with the University of Honolulu and HHS to develop a medical officer training school on Ponape. This institution can provide additional medical personnel to work in the island medical program.

Territorial Income Tax Operations

Question: During the Governor of Guam's 1979 testimony before the Senate Committee on Energy and Natural Resources he stated that the Department of Revenue and Taxation lacked the technical expertise to adequately administer the territorial income tax operation. The Governor also stated that the Secretary of the Treasury could be very helpful if authorized to provide the following address:

1) Developing and conducting training program.
2) Offering technical and procedural assistance.
3) Providing Federal tax attorneys to represent Guam in civil and criminal tax cases.
4) Periodically analyzing Guam's income tax administrative and enforcement function.
5) Assisting in the collection of Guam's income taxes due from U.S. citizens who leave the island and take up residence in the mainland United States.
6) Auditing and investigating Guam taxpayers residing in the mainland United States.

Over the last 3 years what assistance has Interior or Guam formally requested from the Department of Treasury to develop training programs and provide technical and procedural assistance? Has Interior requested any tax administration and enforcement assistance?

Answer: The Department of the Interior and Government of Guam have been working with the Department of Treasury and the Internal Revenue Service on technical and procedural assistance relating to specific sections of the territorial tax code and the administration thereof by the Government of Guam. Most recently, the Department of Interior requested training assistance from IRS under our technical assistance program. The project involves IRS conducting a comprehensive onsite training program for employees of the Guam Department of Revenue and Taxation on processing, collecting, and auditing of all tax returns. The courses will be tailored to the specific needs of the Guam tax office. The Government of Guam is planning to send special agents of the Office of Revenue and Taxation to training classes in Georgia on investigation and enforcement in cooperation with IRS and Interior. The collecting taxes from individuals residing in the United States that are payable to the Government of Guam.

Computerizing the Tax Operations and Training Personnel

Question: Have the Departments of the Interior and Treasury assisted Guam in computerizing the tax operation and training personnel?

Answer: Yes, TIA has allocated $150,000 under the technical assistance program to fund a project which will provide for the automation of all tax/revenue information. IRS will also provide on-site training to the tax personnel on Guam.

Computerization

Questior: When will the computerized system be operational? Will the computerization of tax records directly result in additional tax revenues? If so, how much?

Answer: The computerization of all of the systems will take approximately 12 months to complete and is scheduled for the spring of 1984. We do not know how much, if any, the increase in revenues will be realized from the computerized system. We do know that the accuracy and timeliness of all the tax data will be greatly enhanced when the systems are fully operational.

Guam's Taxes

Question: On March 8, 1983, the Governor of Guam in hearings before the Senate Subcommittee on Energy Conservation and Supply asserted that taxes returned to Guam by the U.S. Treasury under section 30 of the Guam Organic Act may have been undervalued by 15 percent on the average for every year since the Act's passage in 1950. According to Guam, Interior has never included in their remittances the taxes paid by military and other Federal retirees who have chosen to make Guam their home. In addition, refunds due retirees have been paid out of local taxes even though their withholding taxes have been retained by the U.S. Treasury. Guam estimates that these factors have resulted in a $100 million loss. Does Interior agree with Guam's assesssment? If so, what is Interior doing to correct the situation? If not, why not?

Answer: We have investigated Guam's request that taxes paid to the IRS by Federal retirees resident on Guam should be paid to the Government of Guam. There is no provision in the relevant sanctions 935 and 7654 of the IRS Code for payments of these collections to Guam. We would support a revision of law to provide for such a payment and are prepared to work with Guam and the Treasury to revise the applicable provisions.

V.I. Water and Power Systems Improvements

Question: In March 1982 a report entitled "Potable Water and Electric Power in the U.S. Virgin Islands" was completed by the Office of the Science Advisor (interior) as a result of continuing requests from the Government of the Virgin Islands for capital improvements to its water and power systems. Problems identified included (1) deteriorating electric utility capital equipment from inadequate maintenance and (2) artifically low electric utility rates. The report made a number of recommendations to increase utility operations dependability. What is the status of these recommendations? What has Interior done to promote the implementation of these recommendations?

Answer: The Virgin Islands government has instituted an extensive repair and preventive maintenance program and the Water and Power Authority has asked the Public Service Commission to approve electric rate increases. It has also instituted an energy conservation program. These measures have increased utility operations dependability. We have recommended on several occasions the use of their loan authority to draw from under Public Law 94-392 of August 19, 1976. Bond proceeds acquired under this authority can be used to finance water and power projects on the Virgin Islands. We understand that the legislature of the Virgin Islands several years ago earmarked these proceeds for other capital projects, but no official notification has been received by the Department of the Interior and no guarantee has been issued. Should the Virgin Islands determine

that today's priorities for improved water and power service are higher than those authorized earlier, the legislature has the power to reorder those priorities and seek an Interior guarantee of bonds for improving water and power in the Virgin Islands.

Energy Conference

Question: The report also made recommendations concerning energy options. What has Interior done to evaluate or promote these options which have the potential for reducing the Virgin Islands' energy costs?

Answer: The Interior Department began to organize an energy conference last year to address and discuss energy options and alternatives in the Virgin Islands and other territories. The conference was postponed awaiting the result of a major study in the territories by the Department of Energy that was mandated under Public Law 96-597. On December 1982 the Department of Energy study was published and the Office of Territorial and International Affairs rescheduled the conference for June 1983. In the meantime the U.S. Congress decided to hold a conference to address these same issues and at the present time we are awaiting the final recommendations of the conference which will be available in final form by September 1983.

We are also awaiting the result of the $1 million study on water and power that the Congress mandated for the Virgin Islands in FY 83. The Virgin Islands government has already instituted some of the recommendations made in this report such as extensive repairs and preventative maintenance programs.

Virgin Islands' Water and Power Authority

Question: According to Governor Juan Luis, in recent testimony before the House Subcommittee on Insular Affairs, from 1977 to 1982 the Virgin Islands expended some $40.3 million of local funds on new electric power generators, overhaul of old electric generating equipment, and acquisition of new water production facilities for the Virgin Islands' Water and Power Authority. How much Federal assistance was provided during this period? How effective was this funding?

Answer: No federal assistance was provided during this period? The Virgin Islands Government has been addressing these issues with local funds. We have recommended on several occasions the use of their Loan Authority to draw from under Public Law 94-392 of August 19, 1976.

Funding to Complete Needed Improvements

Question: The Governor also stated that the Virgin Islands is still seeking funding of a 4-year $40 million plan to complete needed improvements to the Virgin Islands' electric power generating system and its water distribution system. Does Interior plan to finance part of this plan? If so, how much? Has Interior reviewed this plan and does it concur with it? Does Interior believe the plan to be viable?

Answer: The Governor of the Virgin Islands amended his request during the senate hearings to 7 million dollars for a period of 5 years instead of 40 million during a period of 4 years.

Several years ago the Governor of the Virgin Islands requested 40 million dollars in funding for electric power generation and water distribution in the Virgin Islands. The cursory justification was an insufficient basis on which to fund the request. Because water and power problems in the territory are so acute, we would be glad to consider a new request if it is accompanied by a comprehensive justification.

Virgin Islands Loan Authority

Question: Because the Governor feels the need for the $40 million program is so pressing, he suggested that if the total amount is not available in grant funds, the Virgin Islands would accept $20 million in grants and the balance in long-term low-interest loans. Is this a viable alternative?

Answer: We have recommended on several occasions the use of their Loan Authority to finance water and power projects. We understand that the Legislature of the Virgin Islands several years ago earmarked these proceeds for other capital projects, but no official notification has been received by the Department of Interior and no guarantee has been issued. Should the Virgin Islands Government determine that today's priorities for improved water and power service are higher than those outlined earlier, the Legislature has the power to reorder those priorities and seek an Interior Guarantee of bonds for improving the water and power situation in the Virgin Islands. (We are also considering and have recommended that P.L. 94-392 be amended to increase the Secretary's Loan Guarantee limit from $61 million to $101 million.) This type of financing would insure that WAPA's financial planning provided an adequate return on the investment. We oppose the use of grant funds for investment that should provide a financial return.

Recommendations to the Authority's Board of Directors

Question: A March 12, 1980, report on a "Review of the Condition of Power Generating Facilities on St. Thomas, St. Croix and St. John" by the Mid-Pacific Region, Water and Power Resources Service, Department of the Inteiror disclosed a number of problems. The report stated that "The current condition and performance of power generating facilities is poor." The report made the following recommendations to the Authority's Board of Directors and management:

1) Develop an action plan to achieve and maintain reliable and economic electric service.
2) Develop a sound financial base so as to allow important and needed programs to move forward.
3) Provide the organization and staffing necessary to carry out a maintenance management program.
4) Provide staffing to carry out power operations improvements and power system planning functions.
5) Develop programs and budgets on a 6-year basis.
6) Establish a dynamic training program for employees.

Has Interior provided an assistance in implementing the recommendations? Could Interior provide any other assistance, particularly technical assistance?

Answer: The Virgin Islands Government has addressed some of those problems. They have instituted an extensive repair and preventative maintenance program and have requested a rate increase that will take care of some of the problems. The Assistant Secretary for Territorial Affairs has requested that the Virgin Islands Government submit a list of technical assistance needs. The Office of Territorial and International Affairs has not received a request for technical assistance to improve the water and power system. The prioritized request by the Virgin Islands Government included a financial management plan and the Caribbean Center. We would be happy to consider their request for technical assistance help for the power authority if they so desire.

Governor's Water and Power Task Force

Question: In April 1981 the Governor's Water and Power Task Force developed a water and power plan for the Virgin Islands. The Task Force developed a number of recommendations to implement the plan. The recommendations included the following:

1) Create a Water Resources Agency and provide full authority for all required water management activities in the territory.
2) Install and operate a 100,000 gpd (gallons per day) reverse osmosis unit on the island of St. John. This will make the islands water self-sufficient and eliminate barging.
3) Convert all government-owned buildings in the Territory to solar hot water heating.

What is the status of these and the other recommendations? Does Interior concur with these recommendations? If so, what is Interior doing to assist the Virgin Islands Government in implementing them?

Answer: The recommendations contained in the April 1981 report were numerous. The report was prepared for the Virgin Islands Government, which has implemented some of the recommendations. Interior has not formally commented on the recommendations; we would probably support most of them, but we note that they are addressed to the Government of the Virgin Islands. We have not been asked to assist in implementing these recommendations.

U.S. Government Comptroller for the Virgin Islands Audit Report No. 573-79-60

Question: On January 6, 1981, the U.S. Government Comptroller for the Virgin Islands issued Audit Report No. 573-79-60. This report stated that "Over the past 15 years our office (Comptroller's Office) has issued a number of reports concerning the barging and sale of water by the Department of Public Works (DWP). The findings in our previous reports have remained essentially unchanged in this latest report." This audit disclosed deficiencies in the barging and sale of water such as (1) procurement without competitive bidding, (2) lack of adequate record keeping, and (3) a lack of proper review of verification.

Specifically, what actions has the Department of Public Works taken to correct the findings of the U.S. Government Comproller? Has Interior provided any assistance to the Department to implement corrective action?

Answer: When recommendations are made to the Government of the Virgin Islands, is the Governor of the Virgin Islands the one responsible for the implementation of these recommendations. The Inspector General follows up on these recommendations. The Inspector General issued a follow up report on January 13, 1983, stating that no action had been taken on those recommentations although the Virgin Islands Government, in a letter signed by Arnold M. Golden, Commissioner of Public Works, on November 12, 1980, refutes many of the findings.

Leakage in the Virgin Islands' Water System

Question: The Virgin Islands' Governor in his February 24, 1983, statement before the House Subcommitte on Insular Affairs stated that there is a greater than 20 percent leakage in the Virgin Islands' water system. What has Interior done or planned to do to assist the Virgin Islands in eliminating the large percentage of leakage?

Answer: The Virgin Islands Government can use the Loan Authority to draw from under Public Law 94-392 of August 19, 1976. The bonds can be used to finance water projects. Although the legislature in the Virgin Islands earmarked these proceeds for other Capital projects, no official notification has been received by the Department of Interior and no guarantee has been issued. Should the Virgin Islands Government determine that today's priorities for improved water and power service are higher than those outlined earlier, the legislature has the power to reorder those priorities and seek an Interior guarantee of bonds for improving the water and power situation in the Virgin Islands.

Feasibility of a Pipeline

Question: The Corps of Engineers had proposed that it study the feasibility of a pipeline from Puerto Rico to the Virgin Islands to supply the Islands with water. Did the Corps ever conduct the study? What were its findings? Provide a copy for the record.

Answer: The Army Corps of Engineers expects to finish this report on the feasibility of a pipeline to supply water from Puerto Rico to the Virgin Islands by the end of this fiscal year. It is our understanding that the government of the Virgin Islands no longer needs the pipeline since they have installed two disalinization plants that supply the water needs of the Islands.

Repairs for TTPI Headquarters Facilities

Question: In last year's appropriation Act, the Congress included $1,000,000 to repair TTPI headquarters facilities on Saipan. This was to include both the headquarters building and housing facilities, and is to be done prior to the time the facilities are tuned over to the government of the Northern Marianas. What progress has to date been made on these repair activities? How much of the $1,000,000 has been committed and how much has actually been expended?

Answer: The $1,000,000 appropriated by the U. S. Congress last year was signed into law on December 30, 1982. We (the High Commissioner's Office) first learned of the appropriation in early January, 1983. By mid-February 1983, we received the grant offer and background information and documents. A difference of opinion immediately arose between the government of the Northern Mariana Islands and the Office of the High Commissioner as to authority and responsibility for the funds. The former took the position that the funds had been requested by the government of the Northern Mariana Islands and, as a consequence, really belonged to them, even though these funds appeared in the TTPI appropriation. We referred to certain language drafted by the Senate Committee on Appropriations which directed "(T)he Department...to immediately begin repair and maintenance activities on these facilities and to henceforth maintain them in good condition until...transferred to the Government of the Northern Mariana Islands." At the same time, three major Trust Territory administration buildings were released to the government of the Northern Mariana Islands. Accordingly, we transferred to the government of the Northern Mariana Islands $175,000 for the repair and maintenance of these three building - Personnel, Education and Health Services. Currently, two of these buildings are undergoing repair. Repair will begin immediately on the remaining building and facilities. We expect to have the remaining $825,000 committed before the next few weeks and totally expended by the middle of FY 1984.

Repair Program in FY 1984

Question: Why did the Department request no funds for this repair program in fiscal year 1984? What do you expect the total cost of this repair program will be? When do you expect to complete the project?

Answer: We requested no funding for this repair program in Fiscal Year 1984 because of two reasons: (1) we wished to evaluate the effect of the program begun as a result of the $1,000,000 appropriation in FY 1983 and (2) we would know better later this year just how long we might occupy these facilities and housing. The Senate Committee draft language speaks about "repair and maintenance." The total cost will depend on not only the initial repair, but on the duration of our maintenance efforts. We expect to complete the current repair project by the middle of FY 1984.

Headquarters and Housing Facilities

Question: For the record, provide a list of the number of headquarters and housing facilities to be repaired, a brief description of the work to be done, and the estimated cost of each.

Answer: The Headquarter's facilities and housing identified for repair, and the appropriate costs, are as follows:

Residential Facilities	
Capitol Hill Dwellings (75 unit)	$225,000
Donni Hill Apartments (10 units)	$15,000
Apartment Structure	$150,000
Navy Hill Dwellings (20 units)	$90,000
BOQ Apartments (6 units)	$5,000
Garapan Dwellings (10 units)	$40,000
Kagman Dwellings (7 units)	$40,000
Subtotal	$565,000
Administrative Facilities	
Main Administration Building	$150,000
Main Administration Annex	$30,000
Secondary Administration Building	$50,000
ADP Building	$20,000
Subtotal	$260,000
Total	$825,000

This excludes the $175,000 already provided to the Marianas for renovation of three building.

The following problems have been identified and will be corrected as a result of the repair and renovation effort:

1. Plumbing - pipes deteriorated and rust-ridden. Indoor plumbing fixtures badly deteriorated.

2. All woodwork, including doors, cabinets, and closets, badly termite infested and damaged from water rot.

3. Screens - woodwork damaged from nailing typhoon boards to frames.

4. Floor Tiles - very badly worn and faded - many missing - many cracked from water seepage.

5. Roofs - leaks need repairing - caused from tremors and cracked/deteriorated sealing.

6. Electrical Wiring - Ageworn wiring - not replaced since 1950.

7. Sewers - need to be flushed and unclogged from years of build-up.

Guam - Policy and General

1. Question: What are the current U.S. policy goals for Guam? How are these goals prioritized? How successful has the U.S. been in meeting its policy goals for Guam?

Answer: U.S. policy goals for Guam, American Samoa, the Virgin Islands, and the Northern Marianas are to promote economic, social, and political development that is suited to the particular territory, to encourage self-government and stability, and further international peace and security by strengthening the ties between the Federal Government and the offshore insular areas.

The strength of the relationship between the islands and the Federal Government depends on policies that reinforce local responsibilities. Federal financial assistance must not undermine local planning efforts and must not remove the responsibility for development decisions from territorial officials. We have successfully promoted fiscal restraint and financial accountability in the handling of Federal funds that are provided to the territories. As a result, territorial projects are better justified, well-planned, and carefully implemented. We have sought to limit funding requests to those projects that reflect genuine needs, and we have demanded territorial adherence to fundamental financial standards.

Because much of the responsibility for government operations and development programs has been turned over to territorial governments within the past decade, we have instituted a technical assistance program to strengthen territorial administrative weaknesses. The technical assistance program has been highly successful and well-received by the territories. Technical assistance is being provided in the following general priorities: infrastructure planning and management, taxation, financial management, communications and public service systems.

The Office of Territorial and International Affairs is also effective in resolving problems that arise as Federal agencies carry out their programs in the territories, and in coordinating the development of a territorial policy that will promote the lasting, close relationship between the territories and the rest of the United States.

2. Question: Is there a current economic development plan for Guam? What is the cost of achieving the plan's goals? How much is required from the United States to carry out the plan? Who developed the plan? Does the Department of the Interior concur in its feasibility? What role does water and power play in the plan?

Answer: A comprehensive development plan was prepared in 1978 which established a framework for decision makers in Guam to formulate a development strategy. Economic development planning is primarily a responsibility of the territorial government, but we are eager to provide advice whenever the Governor submits a development plan to us. In justifying development projects for Federal funding, we deal only with projects that are considered of top priority by the territorial government. Specific projects' locations in economic development priority lists is very much a factor in determining which projects we believe should be funded.

3. Question: Is all U.S. assistance for Guam coordinated through Interior's Office of Territorial and International Affairs? How much U.S. assistance was provided to Guam during the past three fiscal years?

Answer: All U.S. assistance for Guam is not coordinated through the Office of Territorial and International Affairs.

U.S. assistance to Guam during the past three fiscal years:

FY 1980 $66,500,000 (Figures were not available in FY 1980 for grants-in-aid from autonomous agencies)

FY 1981 $93,800,000

FY 1982 $99,200,000

Guam's Water Program

1. Question: What is Guam's current plan for developing its water system? What is needed to achieve the plan's goals and how will these needs be funded? Be specific.

Answer: Guam has two plans for developing its water systems -- a Water Facilities Master Plan and an Islandwide Wastewater Facilities Plan. The Water Facilities Master Plan serves as a guide for developing water systems to meet the long range needs of the existing system and providing new facilities required under this plan is approximately $73 million (1980 costs). The Islandwide Wastewater Facilities Plan provides for the development of a capital improvement program to meet the projected wastewater needs for the next 20 years. The estimated cost of the plan is approximately $30 million.

2. Question: What is the U.S. Government's total investment in Guam's water program? Has this money been spent in a cost-effective manner? Was it spent in accordance with any overall water development program? How successful has the program been?

Answer: Enclosed is a comprehensive status report provided by the Public Utility Agency of Guam on all water and sewer projects in Guam that have been funded by the U.S. Government through the Department of the Interior and the Environmental Protection Agency. These projects were included in Guam's water and wastewater systems master plans. As the report demonstrates, significant progress has been made in addressing the island's most critical needs.

3. Question: Were any water projects in Guam's FY 84 budget request deleted by Interior and OMB? If so, what were these projects and their estimated costs? Why were they deleted?

Answer: There were no water projects proposed in the FY 1984 submission to the Department or to OMB.

4. Question: In October 1982, the Bureau of Reclamation proposed to OTIA that the Bureau study water resources development on Guam.

--Have funds been requested for this study? If not, why?

Answer: Funds have not been requested, but funds have been identified and the Bureau of Reclamation initiated in July a research and development program which

will evaluate Guam's water resources and address possible uses, with special emphasis on expansion of agriculture. The Bureau will evaluate water use and conservation, saline water conversion, waste water re-use, related institutional arrangements, economics, social and environmental assessments, and hydropower.

5. Question: A June 1979 Department of the Interior report entitled, "Report On the Infrastructure Needs of Guam - 1980 through 1990" stated that "Water storage capacity for dry seasons is inadequate and the water supply is threatened with contamination from human waste, industrial waste, run off from agriculture and roads, and over-pumping water wells."

a. --What have Interior and Guam done since the report to increase storage capacity? Provide data on the total storage capacity from 1979 to the present. What more needs to be done to increase capacity and when are these projects scheduled to be accomplished?

Answer: a. The status report of the Public Utility Agency of Guam provides detailed descriptions of the reservoir and deep wells, that have been constructed to increase the capacity of the system since the June 1979 report. The Water Facilities Master Plan provided for a 20-year capital improvement plan divided into 5-year segments. The summary section of the report outlines projects to be completed in each of the four phases.

--What have Interior and Guam done since the report to limit water contamination? What projects remain to be accomplished and when are they scheduled for? How are they to be funded?

Answer: b. The section of the status report entitled "Environmental Protection Agency Funded Programs" addresses actions taken since the 1979 report to correct contamination problems. Projects scheduled to be accomplished by the year 2,000 are shown in the summary.

--How useful was this report in developing a strategy for improving Guam's water program?

Answer: c. The report was useful in developing a strategy for improvements. Subsequent to issuance of that report, the 20-year Water Facilities Master Plan was prepared and is serving as a fund for development. To complement both of these reports, the Bureau of Reclamation has undertaken a further comprehensive water resources development plan.

6. Question: In 1978 the Public Utility Agency of Guam and the Guam Environmental Protection Agency developed a Water Facilities Master Plan to meet the territory's long-range needs. The plan estimated that $73 million (1980 costs) would have to be expended to upgrade the existing system and to provide new facilities to meet increasing demands anticipated by the year 2000. It was estimated that the then current daily water production of 22 million gallons would have to be increased to 47 million gallons per day by the year 2000.

a. --Were any projects initiated based on this study and are they being accomplished on schedule? If not, why?

Answer: a. All of the water projects which have been constructed or are under construction are a part of the master plan.

b. --What is the current estimated cost of projects remaining to be accomplished? How does the territory plan to fund these projects?

Answer: b. Please refer to the status report of Public Utility Agency of Guam.

c. --Does Interior agree with the projected demand by the year 2000? If not, why? If yes, does Interior consider Guam's plan sufficient to meet the projected need?

Answer: The Department believes the report is a good assessment of the future demand and is a reasonable plan for facilities developed to meet the projected water needs.

7. Question: It is generally considered acceptable in a system such as Guam's if not more than 10 percent of the water supply is lost through leakage.

--What is the current percent of loss due to leakage? If greater than 10 percent, what is being done to correct the problem? Can Interior help to resolve this problem?

Answer: An August 1979 report by the U.S. Army Corps of Engineers states that between 30 and 40 percent is lost in distribution. The Public Utility Agency of Guam is attempting to address the problem by system improvements, following the Water Facilities Master Plan.

8. Question: Have any recent studies been done on the Public Utility Agency's effectiveness in assessing and collecting charges? If so, what were the results? Provide a copy of any studies for the record. If studies have not been performed, what is Interior's opinion of the agency's effectiveness in assessing and collecting charges? What is the basis for this opinion?

Answer: The Office of the Inspector General for Interior will undertake during fiscal year 1984 a review of billing and collection procedures for water charges.

9. Question: Are present water rates sufficient to cover operating costs? If the rates are not high enough, how much would they have to be increased by? Are there plans to increase the rates?

Answer: The Public Utility Agency of Guam is presently reviewing the rate structure and should be making recommendations on need for increases within the next few months.

10. Question: What percent of the Public Utility Agency's water charges go uncollected? Why?

Answer: The Inspector General will determine the amount of uncollected charges in an upcoming audit and reasons for any non-collections.

Guam's Power Program

1. Question Has a plan to address the long-term power needs of Guam been developed? If so, provide a copy for the record. If a plan has not been prepared, why not?

Answer: The Guam Power Authority is required under a locally enacted law (P.L. 16-119) to prepare a study on projected long-term power needs. A copy will be provided, when completed.

2. Question: Has the Governor approved the 24-percent rate increase recently proposed by the Guam Power Authority? Will this increase be sufficient to cover operating costs? If not, what percentage increase would be needed? If the 24-percent rate increase is approved, do you expect a decline in consumption and, if so, what will be the net effect on revenues? Provide a copy of any analysis for the record.

Answer: The Governor did approve the 24 percent rate increase and it was placed into effect in April. The increase was designed to cover operating expenses plus debt service. The Guam Legislature in June enacted legislation (P.L. 17-10) which rolled back the rate increase.

Consumption has been declining slightly since 1979. Guam Power Authority's projections are that consumption will continue to decline through 1984 and thereafter gradually increase as population and usage increases. A comparative analysis of revenues under both rate schedules follows.

LEGISLATED SHORTFALL IN GPA RATES

Ref: Bill 41 17th Legislature
passed June 1, 1983

	Totals All classes	Private Totals	'R' Residential	'G' Small General	'L' Large General	'H' Private Lighting	Govt. Totals	'S' Small Govt.	'L' Large Govt.	'F' Govt. St. Lites
					($000's)					
GPA-Feb. 1, '83 revenue without fuel	16,821	13,456	6,207	3,872	3,292	85	3,365	1,927	920	518
Fuel at current prices - $.066485/KWH	28,658	22,866	10,292	6,210	6,292	72	5,792	3,558	1,816	418
Feb. 1, '83 rates	45,479	36,322	16,499	10,082	9,584	157	9,157	5,485	2,736	936
Surcharge off Bill 41 (@ 15%-18%-24%)	3,043	2,236	931	697	593	15	807	462	221	124
Bill 41 revenue	48,522	38,558	17,430	10,779	10,177	172	9,964	5,947	2,957	1,060
Shortfall in required revenue caused by Bill 41	8,154	4,775	1,729	1,661	1,322	63	3,379	1,959	699	721
Revenue from rates effective April 1, 1983	56,676	43,333	19,159	12,440	11,499	235	13,343	7,906	3,656	1,781

N.B. All data based on GPA's Cost of Service, Revenue Requirements, estimated sales, all as offered in public hearings, except oil prices are on the same current basis in both rates; customer groupings are on April '83 classes, but computed on rates in place Feb. 1, 1983.

COMPARISON OF GPA RATES
AND
LEGISLATED BILL 41 RATES

	Totals	Debt Service	Non Fuel	Fuel
	($000's)			
Cost of Service:				
Table 14	58,703	10,905	18,311	29,927
Other income			(440)	
Customer charge 10.50 to 7.00			(903)	
Correct for current price				(1,269)
Other			145	
	56,676	10,905	17,113	28,658
Bill 41	48,522	3,043	16,821	28,658
Cover M&O non-fuel	-	(292)	292	
	48,522	2,751	17,311	28,658
Shortfall	8,154	8,154	-	-

3. Question: An OTIA planning document for fiscal year 1984 suggested that, while the Guam Government must subsidize the Power Authority be $7-8 million each year, electric rates are already too high to be raised.

a. --Is Interior against rate increases in general?

Answer: a. Interior is not opposed to necessary and justifiable rate increases and in fact supports a rate increase for Guam in lieu of subsidies.

b. --What analysis supports OTIA's contention that rates are already too high? Please provide for the record.

Answer: b. The U.S. Department of Energy Phase I Territorial Energy assessment reported that electric power costs are about twice as high as the U.S. average.

c. --If the recently proposed increase is approved, will a subsidy still be needed and, if so, how much?

Answer: c. A subsidy would not have been required under the proposed rate increase. As mentioned primarily, the rates were decreased by the Guam Legislature. Under the decreased rates a subsidy will be required in order for GPA to meet its interest payments to the Federal Financing Bank on the $36 million loan.

4. Question: A 1976 Comptroller's audit report stated that the Guam Power Authority was not properly assessing, billing, and collecting for its services. The Comptroller estimated that the territory was losing about $2 million a month.

a. --What has the authority done to improve its revenue collection system since that time? Provide a summary of improvements for the record.

Answer: a. Beginning in 1977, GPA reports that a systematic approach to collection was undertaken in reducing areas and promptly billing all customers. GPA's current procedure is to disconnect if bills are unpaid and to require a reasonably significant service deposit for all customers. One of the covenants between Department of the Interior and GPA to support DOI's guarantee on the $36 million loan from the Federal Financing Bank requires that GPA maintain a level of collection at least equal to 95% of the billing for any three consecutive months.

b. --Have any recent studies of the Authority's revenue collection system been done? What did the studies conclude? Please provide a copy of any studies for the record.

Answer: b. Attached is a chart showing the ratio of collections to billings from 1975 through the first quarter of 1983. As the table reflects, collections have improved notably and exceed the covenant requirements.

RATIO TO CASH COLLECTIONS TO REVENUES

	REVENUE	COLLECTED	RATIO (%) CURRENT MONTH	RATIO (%) 3-MONTH MOVING TOTAL	RATIO (%) 12-MONTH MOVING TOTAL
FY '75	$23,763,818	$22,987,848			96.7
FY '76	$22,326,598	$21,223,478			95.1
FY '77	$20,575,209	$18,796,223			91.4
FY '78	$25,165,970	$25,547,510			101.5
FY '79	$27,615,488	$27,292,400			98.8
FY '80	$39,074,235	$36,929,258			94.5
FY '81	$48,493,293	$46,620,105			96.1
1981 - July	4,523,584	4,117,858	91.0	92.3	95.8
August	3,892,942	4,199,665	107.9	97.3	97.8
September	4,035,797	5,537,549	137.2	111.3	99.5
	12,452,323	13,855,072			
October	4,476,670	3,708,018	82.8	108.4	98.6
November	3,991,397	3,685,857	92.3	103.4	97.8
December	4,258,048	3,803,240	89.3	88.0	97.4
	12,726,115	11,197,115			
1982 - January	4,164,959	4,123,380	99.0	93.5	98.0
February	3,798,778	3,748,099	98.7	95.5	97.7
March	4,072,353	4,367,249	107.2	101.7	98.3
	12,036,090	12,238,728			
April	4,095,619	3,589,500	87.6	97.8	97.9
May	4,069,912	3,578,708	87.9	94.3	97.7
June	3,841,767	4,372,250	113.8	96.1	99.2
	12,007,298	11,540,458			
FY '82	49,221,826	48,331,373			99.2

1982 -	July	4,059,055	3,651,662	90.0	96.9	99.2
	August	3,980,751	3,793,968	95.3	99.5	98.2
	September	4,063,523	4,122,615	108.8	98.1	95.8
		12,103,329	11,568,245			
	October	4,062,237	3,838,749	94.5	99.6	96.9
	November	3,978,377	4,723,399	118.7	107.3	99.1
	December	4,072,350	4,840,928	118.9	110.6	101.6
		12,113,364	13,403,376			
1983 -	January	3,972,089	3,667,511	92.3	110.0	101.1
	February	3,605,203	4,243,132	117.7	109.5	102.5
	March	3,951,910	3,977,434	100.6	103.1	102.0
		11,529,202	11,888,077			

5. Question: R.W. Beck, Inc. recently completed a study on converting from oil to coal-fired generators. R.W. Beck estimated that conversion cost at $300 million.

--What is Guam's and Interior's current policy on the conversion to coal-fired generators? Is such a conversion feasible for Guam?

Answer: We believe coal conversion merits further investigation pointed out in the Beck study. Conversion of the Cabras power plant from oil to coal is technically feasible; however, a number of questions remain, including ability to finance such a venture.

6. Question: A 1982 General Accounting Office report entitled "Navy's Transfer of Power System To Financially Troubled Guam Power Authority Has Been Delayed" (GAO/ID-82-28, July 2, 1982) addressed certain issues concerning the power pool agreement between the Navy and the Authority. According to the report, the Authority contends that the Navy has built into the agreement extra reliability to meet essential military requirements, resulting in civilian customers having to share the costs of this added reliability. GAO suggested that a continual assessment be made of the Navy's power requirements to ensure that additional requirements are not being imposed on the system to meet military needs.

--Has an assessment been made? Who made It? What were its findings? Provide a copy for the record.

--If an assessment has not been made, when is one scheduled to be accomplished? If one is not scheduled, why not?

Answer: We are not aware of any written assessment of the nature described. The power pool agreement was amended to correct some problems identified in the report involving service lines of certain power plants. A joint coordinating committee meets on a regular basis to discuss the agreement.

Guam - Tax Administration

1. Question: At the request of the Guam Legislature, the United States Congress passed into law on January 4, 1977, an amendment to the Organic Act of Guam which provided the Legislature of Guam with the authority to levy a separate (state-type) tax on all taxpayers in an amount not to exceed 10 percent of their annual income tax obligation to the Government of Guam.

a. --Since Guam's financial position continues to deteriorate, has legislation been proposed to the Guam Legislature to enact a separate (state-type) tax?

Answer: a. In March of the current year a tax package was submitted in Bill form to the Seventeenth Guam Legislature as a means to overcome the government's cash deficit. This bill included a proposal to enact the 10% surcharge authorized by the Congress. The entire bill called for an annual increase in tax revenues of approximately $34.0 million. To date, as a result of P.L. 17-4, only $3.0 million

of the total package was enacted into law. The remaining measures are still pending before the Guam legislature.

b. --If the Guam Legislature were to enact a surcharge, what amount of additional revenues would have been available to the Government of Guam in fiscal year 1982 if the surcharge was 2, 5, or 10 percent, for example?

Answer: b. If the 10% surcharge is passed, it is anticipated that approximately $9.0 million in additional revenues would be generated annually. This includes a surcharge on both corporate and individual taxes.

2. Question: Guam's real property taxes appear extremely low in comparison to those imposed by the 50 States. Also, certain restrictions imposed by Guam law (P.L. 12-227) have seriously impeded the Department of Revenue and Taxation's efforts in collecting delinquent property taxes. The low property taxes and Guam's self-imposed restrictions on enforcement have deprived the Government of Guam of substantial revenue.

a. --What is the effect of these tax rates on Guam's economic growth and its ability to become self-sufficient?

Answer: a. There is no question that Guam's real property taxes are low when compared to those of the 50 states. This is primarily attributable to two factors:

a) a substantial number of Guam's residents are land rich but cash poor. With the limited land area of Guam (215 square miles minus 1/3 owned by the Federal government), past legislatures have been reluctant to increase the tax rates fearing potential loss of land by Guam residents if forced to sell because of inability to pay higher taxes.

b) P. L. 12-117 has seriously impeded Department of Revenue and Taxation's efforts to collect current and delinquent taxes. At present, approximately $7.0 million are owed to the Government of Guam by property owners.

b. --Describe all changes in the real property tax laws passed by the Guam Legislature during the last and present administrations, and provide the amount of additional revenues collected as a result of the changes in the Guam law. Are more changes needed?

Answer: b. To address the problems described above, a program was developed and implemented on February 15, 1983, to offset all income tax refunds against any existing real property taxes owed.

At the same time the Department of Revenue and Taxation is developing a plan to address its triannual reevaluation of proprety values program, already three (3) years overdue. The last triannual reevaluation was made in 1977 and should have been done in 1980. This program is scheduled to take effect in nine (9) months. Additional revenues anticipated to be generated as a result of this are approximately $2.5 million annually.

The Department is additionally drafting a bill to amend P. L. 12-227 which, in effect, would allow the Department of Revenue and Taxation to auction and sell property's tax deeded to the government at reasonable fair market value rates. Proceeds from such sales would be applied against any delinquent taxes and the balance remitted to the real property owner. This bill is expected to be submited to the Seventeenth Guam Legislature no later than September 30, 1983. Also included in this bill are provisions to increase the peanlty and interest rates which is expected to put more teeth in taxpayer compliance.

3. Question: The Department of Revenue and Taxation has had difficulty collecting taxes employers have withheld from employees. Unremitted withholdings increased from $3.5 million as of June 30, 1978, to over $4 million as of December 31, 1981.

a. --What actions has the Department of Revenue and Taxation considered or implemented to reduce the level of delinquent employee withholding taxes such as:

a. extending local statutes to require firms to clear all taxes prior to obtaining business license renewals?

b. monitoring all firms having government service contracts for tax compliance; and

c. requiring chronically delinquent taxpayers to file monthly, not quarterly, returns.

Answer: a. To address the serious noncompliance by employers with respect to these trust fund taxes, a special unit was created on February 7, 1983, in the Collection Branch and coordinated with the Criminal Investigation Division to enforce collection of these taxes. Every provision of the Internal Revenue Code regarding collection action (levies, liens, seizures) is being utilized to maximize collection of taxes. At the beginning of 1983 there were approximately $20.0 million in delinquent tax receivables (including $7.0 million in withholding taxes). As of April 30, 1983, the original $20.0 million has been reduced by $3.5 million. No details can be given at this time as to what part of the $3.5 million inures to withholding taxes.

The Department has already written a bill requiring the clearance of all taxes (withholding, business privilege taxes, real property taxes) by taxpayers before business licenses will be issued, new or renewal. This bill was transmitted to the Legislature in June 1983.

There is already a system of levy procedures in effect with respect to all firms (primarily building contractors) having government (local or Federal) contracts. In addition, the Guam contractor's License Board, which is responsible for the licensing of all contractors, has implemented a coordinated program with the Department of Revenue and Taxation with respect to tax responsibilities of contractors.

Regarding chronically delinquent taxpayers, the department has made it a stringent policy to initiate seizure or prosecutive actions with respect to such taxpayers.

4. Question: GAO's October 1979 report (GGD-80-3) stated that nearly 20 percent of the high-ranking Government of Guam officials and over 25 percent of all dentists, physicians, attorneys, and accountants liscensed in Guam may not have filed 1977 tax returns. Further, on March 9, 1982, the Director of Revenue and Taxation stated before the Guam Legislature that identifying nonfilers will continue to be a problem until the tax system is totally computerized.

--What actions have been taken or are planned to identify business, self-employed professionals, and high-ranking territorial government officials who have failed to file tax returns?

Answer: The Department of Revenue and Taxation is presently working on a program to include all business and professional licenses in its tax data base. With this, cross-referencing can be made between returns filed and all licenses, thereby identifying non-filers. With technical assistance funding from Interior, two (2) experienced programmers have been hired in the last four (4) months and are presently working on other related compliance type programs.

In April of the current year, a former cabinet official of the prior Administration was arraigned in District Court and charged with five (5) counts of failing to file returns.

5. Question: On October 10, 1979, the Governor of Guam stated before the Senate Committee on Energy and Natural Resources that Guam had made significant progress in upgrading and increasing the effectiveness of Guam's tax collection procedures. He stated, "Liens, levies and seizures of assets are being implemented to collect delinquent taxes." How successful has the Government of Guam been using this approach?

Answer: Tax collection procedures are progressively becoming more efficient and effective. The most recent programs and procedures being implemented for levies, seizures, and prosecution are described in the Answer to Question #3. As also

noted previously, receivables have been reduced by $3.5 million since January 1983.

6. Question: GAO's 1979 report (GGD-80-3) concluded that Guam's Department of Revenue and Taxation lacked comprehensive standards and guidelines to insure an effective and unbiased selection of tax returns for audit.

--Has the Department of Revenue and Taxation established such standards and guidelines to insure that those returns selected for audit have the highest potential for a change in tax assessment, such as high income individuals and businesses?

Answer: The Department of Revenue and Taxation is presently working on developing a set of audit criteria similar to the IRS' DIF system which will be programmed into its computer system in the 1983 tax filing period. This program is expected to identify and select returns which have high audit and deficiency potential.

American Samoa - Policy and General

1. Question: What are the current U.S. policy goals for American Samoa? How are these goals prioritized? How successful has the U.S. been in meeting its policy goals for American Samoa?

Answer: U.S. policy goals for Guam, American Samoa, the Virgin Islands, and the Northern Marianas are to promote economic, social, and political development that is suited to the particular territory, to encourage self-government and stability, and further international peace and security by strengthening the ties between the Federal Government and the offshore insular areas.

The strength of the relationship between the islands and the Federal Government depends on policies that reinforce local responsibilities. Federal financial assistance must not undermine local planning efforts and must not remove the responsibility for development decisions from territorial officials. We have successfully promoted fiscal restraint and financial accountability in the handling of Federal funds that are provided to the territories. As a result, territorial projects are better justified, well-planned, and carefully implemented. We have sought to limit funding requests to those projects that reflect genuine needs, and we have demanded territorial adherence to fundamental financial standards.

Because much of the responsibility for government operations and development programs has been turned over to territorial governments within the past decade, we have instituted a technical assistance program to strengthen territorial administrative weaknesses. The technical assistance program has been highly successful and well-received by the territories. Technical assistance is being provided in the following general priorities: infrastructure planning and management, taxation, financial management, communications and public service systems.

The Office of Territorial and International Affairs is also effective in resolving problems that arise as Federal agencies carry out their programs in the territories, and in coordinating the development of a territorial policy that will promote the lasting, close relationship between the territories and the rest of the United States.

2. Question: Is there a current economic development plan for American Samoa? What is the cost of achieving the plan's goals? How much is required from the United States to carry out the plan? Who developed the plan? Does the Department of the Interior consider the plan feasible? What role do water and power programs play in the plan?

Answer: Economic development planning is primarily a responsibility of the territorial government, but we are eager to provide advice whenever the Governor submits a development plan to us. In justifying development projects for Federal funding, we deal only with projects that are considered of top priority by the territorial government. Specific projects' locations in economic development priority lists is very much a factor in determining which projects we believe

should be funded. If the Governor wishes to share an overall economic development plan with us, we will be happy to analyze it in the terms you have suggested.

3. Question: The 1982 budget justification states that "American Samoa's primary goal is to develop the territory towards self-sufficiency and to attain it with minimum disturbance of the traditional Samoan cultural values."

a. --How have funds and other assistance provided by the United States assisted American Samoa in achieving these goals?

Answer: a. Funds provided by the United States enable the government of American Samoa to operate in such a way as to the population essential services that are expected in an American community. The ultimate goal of all concerned is to develop the economy of American Samoa to the point that subsidies from the United States would not be required to maintain the essential services. In reality, this may not happen for quite some time. The development process is a slow one, and care must be taken to ensure that massive influxes of western culture and values do not disrupt the traditional Samoan culture. This conflict of values and culture was recognized even in 1900 when the treaties of cession were negotiated.

4. Question: Is all U.S. assistance to American Samoa coordinated through Interior? Can you provide a schedule of all U.S. assistance including grants to American Samoa during fiscal years 1981 and 1982?

Answer: U.S. assistance to American Samoa is not coordinated through the Department of Interior's Office of Territorial and International Affairs.

U.S. assistance to American Samoa:

FY 1981	$37,800,000
FY 1982	$41,000,000

5. Question: In March 1983 Interior's Inspector General issued a report (S-TG-AMS-14-83A) on the American Samoa Government's misuse of Capital Improvement Project funds provided by the Department of the Interior. The report stated that during fiscal years 1981 and 1982 the American Samoa Government used over $9 million of project funds for unintended purposes. As a result, projects remain unfinished but all funds appropriated for these projects have been used. The Inspector General recommended, among other things, that the Assistant Secretary for Territorial and International Affairs provide no further advances of current Capital Improvement Project funds until the Samoan Government provides an accurate accounting of all project expenditures to date.

--What actions have been initiated or planned to address the deficiencies identified by the Inspector General?

--Other than internal audits, does Interior have a system for monitoring the expenditure of funds provided to the territories?

Answer: Because of the seriouseness of the financial situation in American Samoa, TIA has taken the following actions:

1. The allocation of additional capital improvement grants are frozen pending resolution of problems brought about by misallocation of grant funds.

2. The government of American Samoa has been directed to submit monthly reports to TIA on the status of the various capital improvement projects.

3. The government of American Samoa has agreed to reimburse all capital projects whose funding were used for other purposes to insure their completion.

4. TIA's technical staff has been monitoring the situation in American Samoa.

5. On-site inspections will be done on a regular basis.

American Samoa's Power Program

1. Question: What is the American Samoa Government's current plan for rehabilitating and developing its power program? Does Interior concur with the plan? What is needed to achieve the plan's goals and how will these needs be funded? Be specific.

Answer: The American Samoa government has a two-year plan to rehabilitate its present power plan. The Department of the Interior concurs with the plan and it has requested for fiscal year 1984, $2 million for the overhaul and repair of existing equipment. This money will permit the American Samoa government to update its electrical gear equipment and make improvements to its line equipment. The fiscal year 1984 request will take care of short-term and medium-term electrical power needs until 1986.

2. Question: What is the U.S. Government's total investment in American Samoa's electric utility system? Has this money been spent in the most cost-effective manner? Was it spent in accordance with any overall power development program? Is this the same program currently being followed? If not, why not?

Answer: In the past 10 years the Office of Territorial and International Affairs has invested $20,085,000 in power in American Samoa. These funds were spent on repairs, maintenance and updating existing equipment. New generators that were bought in 1976 were poorly maintained and one is not operative at the present time.

The American Samoa Power Authority is implementing a new power program under the guidance of a new Director.

3. Question: Has Interior or other U.S. agencies provided the American Samoa Government with any technical assistance to assist it in administering its power program? If not, why not? If yes, how successful was this assistance in view of American Samoa's continuing power problems?

Answer: The Department of the Interior has provided advice and has sent on several occasions experts to American Samoa to look into the power situation. The American Samoa Government has not made any request for technical assistance expertise to help directly in the Power Authority. The Department of the Interior, Office of Territorial and International Affairs, is requesting $2 million for fiscal year 1984 to resolve the present power problems.

4. Question: At least since 1969 it has been suggested that turbines would be better than diesels for American Samoa's power system.

--What studies have American Samoa or Interior sponsored to evaluate turbine potential for American Samoa? What were the results? If studies have not been performed, why not?

Answer: The American Samoa Government contracted with an engineering firm from California to look into the long-range power needs of American Samoa. The report, according to the Director of the Power Authority in American Samoa, is inconclusive. The Director of the American Samoa Power Authority is recommending the use of turbines in American Samoa because the system can be operated and maintained in American Samoa with minimal professional help. A copy of this recommendation follows.

March 21, 1983.

Mr. Joseph Pereira
Chairman Board of Directors
American Samoa Power Authority
Pago Pago, American Samoa 96799

Dear Mr. Pereira:

The foregoing is only a brief description of the answer to a long-range low maintenance power plant expansion program. The addition of new equipment is to be installed an increments so as to make most use of the present installations undergoing a rebuild program.

The basic idea is the use of turbine engines operating on No.2 fuel oil with the option of JP-4-JP-5. The system would also incorporate heat recovery co-generation Rankin Cycle Turbines.

Duel Cycle Plant

With adequate training, a gas turbine generator plant including heat recovery systems can be operated and maintained in American Samoa.

The plant would be a variation of using a gas turbine with exhaust heat recovery. There is a recent development in bottoming technology called, "organic rankin bottoming cycles" using organic liquid such as; toluene or freon 11, instead of steam to drive the turbine. I have personally inspected three generating stations and the manufacturers factory demo plant. The operations are excellent. One such station is operated by the U.S. Navy in Bermuda, using diesel exhaust heat.

Sizing of Units

One cannot emphasized the importance of optium loading of the turbine engine. The design make them uneconomical other than in a narrow peak load range. Plant load factor has an excellent balance at ASPA, due to the large amount of variable sizes of diesel engines installed. Two units to be set up for continues operation. Units sized for their best efficiency curve in the 4200KW to 5000KW area. Follow-on units could then be matched in size for economical interchangeability. Peak load requirements for a number of years could be met by present equipment. The heat recovery equipment would included two Rankin Cycle turbines. The installation with diverter valves would allow these units to continuously operate off of any two of the prime units. The heat recovery units recover 750KW per unit.

Operation

Present load variations: Peak - 13,200KW. Normal low - 8,000KW. Average load sixteen hours per day - 10,000KW. Diesel engine operations would be minimal, but aid in balancing system for peak load. Engines could be operated in either Satala or Tafuna for this purpose.

Location

The Tafuna original plant location on the site has provided area for expansion on the north side of the existing installation. By relocation of two 2500KW package EMD units and elimination of 3 Army units, the existing building would be extended.

The Tafuna station has the advantage of the least relocation of old facilities and a location closer to the future center of power demand.

The turbine has the advantage of compactness. Utilized modules requiring minimum support facilities. There are a minimum number of piping and wiring connections required to complete an installation.

Support foundations are considerably smaller than foundations for diesel engines.

The modular construction of the gas turbine provides for interchangeability of compressor, combustor, and turbine sub-assemblies. This minimizes the need for a large number of insurance spare parts and facilitates the rapid repair in place of the engine. The components are light in weight, readily handled with a minimum of repair tools. The proof of realiability is the vast number of these units operating on pipe lines all over the world unattended.

Overview

One need not dwell on the vast amounts of time and money spent on studies all coming down to poor maintenance as the overall problem.

None of the studies have ever recognize the answer as eliminating the maintenance problem. Their approach has been firing, training, contract personnel, etc.

A fact that must be faced is that a massive amount of machinery requires massive maintenance.

If you place a 20 to 30 meg plant in any city in the U.S., with a population of 30 thousand and build a fence around the city and say, "run this plant", your result would be the same. You must draw from surrounding areas to get the right mix of talent. An island in the middle of the Pacific is limited to that draw. It is also limited to how many can be trained. You must first have the ability to be trained. Over half the population is under 20 years of age. Allow elderly and women not interested in being mechanics and your eligible people become slim pickings.

Thus a turbine plant stands out as an answer.

Turbine engines have had the draw back of being heavy users of fuel. However, new models with secondary compressors and heat recovery equipment operating at their best fuel curve are compative to diesel engines without heat recovery. Here than is the trade off, high reliability and low maintenance.

Budgetary Purposes

3 - 5,000KW turbines, switchgear, and controls.	=	$ 6,600,000
2 - 750KW Rankin cycle heat recovery turbine, equipment, switchgear, and controls.	=	2,500,000
Site preparation and relocation of equipment addition to building with overhead crain.	=	650,000
Additional electrical transmission equipment and installation.	=	350,000
Delivery and installation of equipment	=	750,000
Contingency 15%		
T O T A L	=	$ 12,075,000

JAMES A. CARRIERE
Executive Director, ASPA.

5. Question: In 1975 the American Samoa Government leased nine 1500 KW (kilowatts--15,000 watts) generators from the U.S. Army for use as a backup. It was planned that the generators would be returned in 1980. However, because of the power problems in American Samoa not all have been returned.

--How much has it cost Interior and the American Samoa Government to lease, repair, and rehabilitate these units? Would it have been less costly to buy new ones? What type of advice or assistance, if any, has Interior provided the American Samoa Government on this question? What is the current status of this situation?

Answer: Yes, it would have been less costly. Quotations for equipment similar to the one the Army Corps of Engineers loaned are quoted in the market for $280,000 a piece for a total of $1,680,000. The Agreement between the Army Corps of Engineers and this office, however, requires that the generators be returned to the Corps in the same condition they were received.

6. Question: Comptroller Report No. AS-79-12 recommended that the American Samoa Government "Assign the highest priority to establishing an adequate preventive maintenance program with qualified individuals designated to carry out an ongoing (power) program." As of February 28, 1981, according to the Comptroller's May 1981 report (AS-81-25), no action had been taken on this recommendation.

--Have any actions been taken since? What types of action have been taken?

Answer: The American Samoa Government contracted a highly-qualified Director for the Power Authority in November 1982, to deal with the problems of the Power Authority. Since he was appointed, the power problems in American Samoa are being resolved.

7. Question: Another recommendation, unimplemented according to the May 1981 report, was for the American Samoa Government to "Establish maintenance review procedures for supervisory personnel so that they may effectively monitor equipment performance to maintain the equipment at effective levels." The report stated that "the continuous breakdowns due to operator errors and unattended equipment supports the conclusion that little has been done in this area."

--Since February, 1981 what actions have been taken to implement this recommendation?

Answer: With the appointment of the new Director for the Power Authority maintenance review procedures for supervisory personnel have been established.

8. Question: Power outages and equipment breakdowns have been a continuous problem in American Samoa.

--What actions have Interior and/or the American Samoa Government taken over the past 5 years to resolve these problems? Have these actions been successful? Can specific examples of this success be given?

Answer: The Interior Department requested $2 million for FY 84 for the overhaul of equipment and to update their electrical gear.

The American Samoa government has hired an engineer as Director for the Power Authority with extensive experience in diesel engines. Since the new Director was appointed equipment malfunctions and power outages have diminished considerably.

9. Question: A special review of the power situation in American Samoa, dated February 28, 1981, stated that recent power studies indicated that peak demand will reach 19 MW by 1985 and 23 MW by 1990.

--What is being done to prepare for these increased peaks?

--How much will it cost in additional capital costs and other costs to meet these peaks? Will the 1985 peak be met?

Answer: The American Samoa government has embarked on a long-range study of electricity demands in American Samoa to decide which type of power plant will meet their electric requirement.

The Director of the Power Authority submitted a preliminary plan for the installation of a turbine plant that will cost approximately $12,075,000.

10. Question: According to Comptroller Report No. AS-81-25, "The American Samoa Government has been experiencing serious problems in providing reliable electric power. The findings of this special review show the problems are due to a variety of causes. These include the need for preventive and scheduled maintenance; better planning, supervision, and training; and improved day-to-day performance by employees. There also is a need to eliminate wasteful practices and to reduce outside interference in daily operations and staffing."

--What actions have been taken in response to these findings?

Answer: The American Samoa government is addressing the recommendations made by the Audit Report AS-81-25. The American Samoa Power Authority which is a semi-autonomous agency has embarked in a major maintenance program that will lengthen the life of existing equipment until 1986.

11. Question: Is the American Samoa Government continuing to subsidize the Power Authority? Do rates cover costs? If not, why not? Are there any plans to bring revenues and expenses into balance, if they are not already? How will this be done? How practical is this plan and what type of commitment is needed to make it work?

Answer: The American Samoa Government at the present time is still subsidizing the Power Authority. A rate increase effective this month (July 1983) will increase revenue and hopefully make the Power Authority self-supporting by the end of the year.

12. Question: How adequate are the billing, charging and collection policies and procedures of American Samoa's Power Authority?

Answer: The billing, charging and collection policies of American Samoa's Power Authority are in the process of being changed. A new Director of Financial Management was hired two months ago. Staggered billing is being implemented with delinquent bills and are being turned over to an attorney. The American Samoa Power Authority is expecting to collect approximately $500,000 in delinquent accounts by the end of the year.

13. Question: Comptroller Reports Nos. AS-81-1 and AS-81-4 contained a number of recommendations to the American Samoa Power Authority's Board to improve its

administration. In February 1983 Interior's Assistant Inspector General for Auditing transmitted to the Assistant Secretary for Territorial and International Affairs a listing of open audit recommendations including some of those referred to above.

--Has the Office of Territorial and International Affairs reviewed these recommendations? Does OTIA believe these recommendations should be implemented? If so, what has OTIA done to assist the Power Authority to implement them?

Answer: We believe that the establishment of an autonomous agency and the hiring of a competent Director has resolved a number of the past problems pointed out in the audit reports. The power situation has greatly improved and the renovation project is well underway.

American Samoa's Water Program

1. Question: What is the American Samoa Government's current plan for rehabilitating and developing its water system? What is needed to achieve the plan's goals and how will these needs be funded? Be specific.

Answer: The American Samoa government has submitted a rehabilitation and development plan for the village system with an approximate cost of $101,000 for repairs and rehabilitation for fiscal year 1985. Some of the funds will be provided by the Small Village Fund and others by the Community Development Block Grant.

The American Samoa Government has also submitted a rehabilitation plan for Tutuila that will be funded in part by local funds and possibly by the Department of the Interior for fiscal year 1985.

The current plan entails repairs to transmission water lines, digging wells, rehabilitation of pumps and catchments and rehabilitation of construction facilities.

2. Question: What is the U.S. Government's total investment in American Samoa's water program? Has this money been spent in a cost-effective manner? Was it spent in accordance with any overall water development program? How successful has the program been?

Answer: Since 1973, the U.S. Government has invested $ 8,733,000 in the water systems in American Samoa. The money has been spent in accordance with the water development needs of the territory.

3. Question: A September 1978 Corps of Engineers' American Samoa Water Resources Study stated that "The distribution system is the weak link in the existing ASG (American Samoa Government) system. Residential consumption rates averaging 285 gallons per capita per day have been estimated in the existing services. The high consumption is due primarily to leakage and waste in unmetered and illegal connections." It further stated "the ASG has recently begun an extensive five to ten year program to completely rehabilitate the existing ASG distribution system." Further, "A workable policy towards expansion of the ASG water system service needs to be developed."

--What is the status of the rehabilitation program and recommended expansion program?

Answer: At the present time iron pipes or mains that were installed during the Navy times are being replaced as necessary.

Expansion programs were curtailed because of lack of funds. A rate increase was implemented by the American Samoa government this year that will help in the financing of rehabilitation of the Water Authority.

4. Question: In their 1978 study, the Corps also stated "Additional repair crews and equipment and meter reading crews, mid-level managers, and engineering expertise will be required if the benefits of the new transmission and sources development programs are to be extended to the people and if the government is to

operate and maintain planned improvements in the best long-term interest of the territory."

--What has the American Samoa Government done since 1978 to assure the adequacy of its personnel?

--How adequate are the rate setting, billing, charging, and collection procedures and policies for American Samoa's Water Authority?

Answer: The American Samoa Gvoernment Utilities Division of the Department of Public Works has implemented a training program for field personnel so that the training will allow the men to make correct judgemental decisions to benefit the utility. Water consumption per capita is dropping due to the extensive metering program which began in 1981.

Rates were increased as follows:

	Past	Current
Commercial	$0.60 per 1,000 gallons	$1.00 per 1,000 gallons
Residential Flat Rate	$17.50 per month	$25.00 per month
Service (Hooking up)	$80.00 flat rate	$200.00 average actual cost basis

American Samoa - Tax Administration

1. Question: How adequate is American Samoa's administration of its tax code? How effective is American Samoa in collecting its income tax? Are there any recent studies or audits to support the response to the above questions?

Answer: We have not had the authority to audit individual tax returns. Consequently, we are unable to assess the effectiveness of income tax collection in American Samoa. We understand the Inspector General, under current legislation, has the authority to audit tax returns and plans to do so in American Samoa during fiscal year 1984.

The U.S. Virgin Islands - Policy and General

1. Question: What are the current U.S. policy goals for the U.S. Virgin Islands? How are these goals prioritized? How successful has the U.S. been in meeting its policy goals for the Virgin Islands?

Answer: U.S. policy goals for Guam, American Samoa, the Virgin Islands, and the Northern Marianas are to promote economic, social, and political development that is suited to the particular territory, to encourage self-government and stability, and further international peace and security by strengthening the ties between the Federal Government and the offshore insular areas.

The strength of the relationship between the islands and the Federal Government depends on policies that reinforce local responsibilities. Federal financial assistance must not undermine local planning efforts and must not remove the responsibility for development decisions from territorial officials. We have successfully promoted fiscal restraint and financial accountability in the handling of Federal funds that are provided to the territories. As a result, territorial projects are better justified, well-planned, and carefully implemented. We have sought to limit funding requests to those projects that reflect genuine needs, and we have demanded territorial adherence to fundamental financial standards.

Because much of the responsibility for government operations and development programs has been turned over to territorial governments within the past decade, we have instituted a technical assistance program to strengthen territorial administrative weaknesses. The technical assistance program has been highly successful and well-received by the territories. Technical assistance is being

provided in the following general priorities: infrastructure planning and management, taxation, financial management, communications and public service systems.

The Office of Territorial and International Affairs is also effective in resolving problems that arise as Federal agencies carry out their programs in the territories, and in coordinating the development of a territorial policy that will promote the lasting, close relationship between the territories and the rest of the United States.

2. Question: Is there a current economic development plan for the Virgin Islands? What will be the cost of achieving the plan's goals? How much is required from the United States to carry out the plan? Who developed the plan? Does the Department of the Interior concur in its feasibility? What role does water and power play in the plan?

Answer: There is an Overall Economic Development Program for the United States Virgin Islands dated December 1982. The total cost of projects listed in the plan is $166.8 million. The territory anticipates Federal funding of projects in the amount of $87.6 million. The program was developed by the Governor's Economic Policy Council and the Private Industry Council of the Virgin Islands. The Department of the Interior has not commented on the program; we consider the individual projects to be generally feasible; we do not necessarily endorse the priority listings; and we cannot vouch for the availability of either the Federal or local funds needed for the projects. Water and power projects total $26.8 million, of which $15 million is for the purchase of three desalination plants. Federal funding is shown for repiars to the potable water distribution system in the amount of $5.7 million.

3. Question: The General statement in OTIA's FY 1983 Budget Justification states "The broad objectives of the Secretary of the Interior are to promote the economic, social, and political development of the territories, leading to greater self government for each of them."

--How have funds and other assistance provided by the United States assisted the Virgin Islands in achieving these objectives?

--Can you provide specific examples of the Virgin Islands' progress in the areas of water, power and tax administration?

Answer: United States funds have in the past been used for projects that are similar and related to projects in the program. Examples are airport renovation (FAA), industrial park development (EDA), sewage treatment facilities (EPA), juvenile detention centers (DOI) and highway construction (DOT).

The Virgin Islands has made substantial progress in water supply following the installation of three desalination plants. Much remains to be done to improve the water distribution system.

In power, the generation and distribution systems have been made more reliable in the last two to three years but, again, there is much to be done and further improvements are needed.

In tax administration, the Virgin Islands has increased collections following the creation of the Virgin Islands Bureau of Internal Revenue in December 1980. Individual income tax collections increased from $70 million in FY 1980 to $91.2 million in FY 1981 and to $95.4 million in FY 1982.

4. Question: What was the total cost of U.S. financial and other assistance to the Virgin Islands during fiscal years 1981 and 1982? Which agencies provided this assistance and how much did each provide? How much is programmed for 1983 and requested for 1984? Is all assistance, particularly loan and grant assistance, coordinated through Interior and directed towards the highest U.S. priorities and goals? How much is provided for tax administration and the Virgin Islands' water and power programs?

Answer:

FY 1981	$135,900,000	(Includes $37,300,000 from the V.I. Matching Rum Fund)
FY 1982	$116,983,000	(Includes $35,000,000 from the V.I. Matching Rum Fund)
FY 1983	$2,078,354	(first quarter)
	$2,697,995	(second quarter)

A breakdown of the agencies providing FY 1981 and FY 1982 assistance is not available at this time. The amount of money programmed for FY 1983 and requested for FY 1984 is not channeled through our Office, hence we do not know the exact figures. The territorial governments must apply for financial assistance directly from each U.S. government Department and/or agency. In FY 1983, $1,000,000 was provided for the planning and development of water and power programs. To date, assistance for tax administration has been provided on a limited basis.

5. Question: In a March 1983 report (V-TG-VIS-17-83) the Department of the Interior's Inspector General reported that $8.1 million of Virgin Islands' land sales guaranteed by the Secretary of the Interior was diverted for purposes not authorized by either the guarantor or the holder of the bonds. In addition, another $1.4 million was used for non-capital projects or capital projects not included in the bond authorizations and $131,900 from interest earned was inappropriately used. The report made two recommendations to the Assistant Secretary for Territorial and International Affairs and the Governor of the Virgin Islands for restoring to the bond proceeds fund the $8.1 million and $1.4 million inappropriately used.

--The Governor of the Virgin Islands was asked to comment on the draft report. However, the Inspector General had not received comments prior to the report's issuance. Do you know what the Governor's position on this matter is and whether the funds will be restored?

--The Inspector General made recommendations to the Assistant Secretary because he believed the Assistant Secretary had the responsibility for monitoring performance of the land guarantee for the Secretary of the Interior. However, the Assistant Secretary in his comments on the draft report indicated that he does not. What was the final resolution of this question? Who has the responsibility?

Answer: The Government of the Virgin Islands responded to the audit report on June 27, 1983. A copy of that response follows.

June 27, 1983

Mr. Richard Mulberry
Inspector General
U. S. Department of the Interior
Washington, D. C. 20240

RE: Audit Report, "Review of the Use Made of Proceeds, General Obligation Matching Funds Bonds Guaranteed by the Secretary, Department of the Interior-- V-TG-VIS-17-83.

Dear Mr. Mulberry:

This responds to the findings and recommendations contained in the subject audit issued by your office.

Finding: Funds diverted for public utility--$8.1 million

Recommendation: That the (Government) either restore to the bond proceeds fund the $8.1 million diverted from the proceeds of guaranteed bonds, or apply for and receive approval for a change of the authorized use of the bond proceeds.

Comments: The Government of the Virgin Islands relied upon the approval given by the Deputy Under Secretary for Territorial and International Affairs for the temporary use of these funds for the stated purpose.

Legislation has recently been approved authorizing the sale of general obligation bonds to repay this loan. In the event that sale is not completed, we will apply to the Assistant Secretary, Territorial and International Affairs, for approval for a change of the authorized use of the bond proceeds.

Finding: Funds expended for unauthorized purposes--$1.4 million

Recommendation: That the (Government) restore to the bond proceeds fund the $1.4 million used for non-capital projects and for architectural services not properly chargeable to the bond proceeds fund.

Comments: We agree that $1.4 million was erroneously charged to the bond proceeds account. However, we feel that these expenditures can properly be charged to the interest earned on invested bond funds in accordance with Section 6 of Act 1259, as amended by Act 4609. Accordingly, we will undertake an analysis of bond proceeds interest earnings and make whatever adjustments are required for restoration of the bond proceeds account.

Finding: Erroneous and unrecorded transactions.

Recommendation: That the Commissioner, Department Finance, analyze and correct the bond proceeds account, ensuring that erroneous and incorrect entries are removed and that unrecorded transactions are recorded. Reconcile the recorded transactions and ending balance with the manual records maintained by the General Ledger Section.

Comments: By a copy of this letter, I am directing the Commissioner of Finance to comply with this recommendation.

Finding: Interest earned not credited to bond account.

Recommendation: That the Commissioner, Department of Finance, credit the bond proceeds fund with all interest earned on bond proceeds invested. In this

regard, determine interest earned on bond proceeds sub-accounts since February 1982 and transfer the interest earned to the bond proceeds fund.

Comments: I have directed the Commissioner of Finance to comply with this recommendation.

Finding: Territorial officials not informed of restrictions imposed upon the use of guaranteed bond proceeds funds.

Recommendation: That the Budget Director advise Territorial officials of restrictions imposed upon the use of bond proceeds funds. One acceptable manner would be a statement on each allotment voucher explaining fully any restrictions.

Comments: We will take the necessary steps to comply with this recommendation.

Sincerely yours,

Juan Luis
Governor

The Assistant Secretary for Territorial and International Affairs did not say that he was not responsible for monitoring the program. The issue is rather, whether or not the actions in question violate the law, and if so, whether or not there is a remedy. In most instances, we do not believe that the law was violated. In one case, however, where approval of use of bond proceeds for emergency electrical repairs has been questioned, we believe that action amending the bond agreement (as recommended by the Inspector General), will resolve all questions.

Virgin Islands - Water and Power Programs

1. Question: During the period September 1979 through March 1980, the U.S. Government Comptroller for the Virgin Islands conducted an audit of the Virgin Islands' Water and Power Authority. In his report of June 30, 1980, the Comptroller reported, "Originally, the purpose of our audit was to evaluate the operations of the Authority, including management functions. Early in the audit, we concluded that an extensive detailed audit of operations and management would only result in recommendations repetitive of those made each year by independent auditors and consultants retained by the Authority. The objectives of our audit were, therefore, changed to review deficiencies previously reported and to evaluate management's actions and plans for correcting them. The results of our audit were alarming. Management had not corrected, or developed action plans to correct, significant financial, administrative, and operational deficiencies reported by independent auditors and consultants. Some of the most basic management processes and controls to ensure correction of deficiencies were absent." The report then listed a number of specific management deficiencies.

--Why did these problems remain uncorrected for so long? Have these problems now been resolved? What did the Authority do to resolve them? Did Interior provide or attempt to provide assistance? If not, why not?

Answer: The Virgin Islands government through their Water and Power Authority has instituted an extensive repair and preventative maintenance program as well as an energy conservation program. They have also requested a rate increase that will address some of the financial problems the Water and Power Authority has been confronting.

We have repeatedly requested compliance with the Comptroller's audit report on Water and Power. Nonetheless, we have not been successful in that we cannot require compliance with the recommendations since we only have a supervisory authority over the Virgin Islands.

2. Question: The Corps of Engineers had proposed that it study the feasibility of a pipeline from Puerto Rico to the Virgin Islands to supply the Islands with water.

--Did the Corps ever conduct the study? What were its findings? Provide a copy for the record.

Answer: The Army Corps of Engineers expects to have the feasibility study of a pipeline from Puerto Rico to the Virgin Islands available by the end of the fiscal year. As soon as we receive a copy of the study we will provide it for the record.

Virgin Islands - Tax Administration

1. Question: In 1980 a new Virgin Islands' Department of Internal Revenue was created with the objective of increasing income tax compliance and raising revenues.

--How effective has this Department been in administering the income tax code?

Answer: Since the establishment of the Department of Internal Revenue, income tax compliance has improved and revenues have increased. In 1981, the number of tax returns filed increased by 4.4 percent over the previous reporting period. Collections on delinquent accounts rose by 7.2 percent in 1981, and increased further by 7.5 percent in 1982. Tax collections were up substantially in 1981. In 1982, in spite of predictions that reductions in income tax rates would reduce collections, they were up again. Preliminary data for 1983 show a slight increase in the first half in spite of both recession and further rate reduction.

It can be said, thus, that the department has performed satisfactorily in helping improve the local government's financial situation.

2. Question: In May 1981 Governor Juan Luis requested assistance from Interior for computerization of the Virgin Islands' income tax returns.

--What is the status of this request? When was the request responded to and the technical assistance provided?

--Are there any problems with the computerized sytem?

Answer: In May 1981, Governor Juan Luis requested assistance from the Office of Territorial and International Affairs to computerize the Virgin Islands' income tax returns. The Internal Revenue Service and the Virgin Islands Government had agreed that IRS would computerize five years returns at its service center in Andover, Maine. The cost of the project was estimated at $200,000. Mr. Leroy Quinn, Director of the Virgin Islands Bureau of Internal Revenue and members of my staff discussed the role of TIA in the project. It was determined that TIA could best assist the Virgin Islands if we could persuade the IRS to forgive the debt. However, IRS emphatically stated that they were unable to forgive the debt. This information was passed on to Mr. Quinn.

The last written communication with IRS was a letter dated April 26, 1983. We are still seeking IRS forgiveness of the debt.

Northern Mariana Islands - Policy and General

1. Question: What are the current U.S. policy goals for the Northern Mariana Islands? How are these goals prioritized? How successful has the U.S. been in meeting its policy goals for the Northern Mariana Islands?

Answer: U.S. policy goals for Guam, American Samoa, the Virgin Islands, and the Northern Marianas are to promote economic, social, and political development that is suited to the particular territory, to encourage self-government and stability, and further international peace and security by strengthening the ties between the Federal Government and the offshore insular areas.

The strength of the relationship between the islands and the Federal Government depends on policies that reinforce local responsibilities. Federal financial assistance must not undermine local planning efforts and must not remove the responsibility for development decisions from territorial officials. We have successfully promoted fiscal restraint and financial accountability in the handling of Federal funds that are provided to the territories. As a result, territorial projects are better justified, well-planned, and carefully implemented. We have sought to limit funding requests to those projects that reflect genuine needs, and we have demanded territorial adherence to fundamental financial standards.

Because much of the responsibility for government operations and development programs has been turned over to territorial governments within the past decade, we have instituted a technical assistance program to strengthen territorial administrative weaknesses. The technical assistance program has been highly successful and well-received by the territories. Technical assistance is being provided in the following general priorities: infrastructure planning and management, taxation, financial management, communications and public service systems.

The Office of Territorial and International Affairs is also effective in resolving problems that arise as Federal agencies carry out their programs in the territories, and in coordinating the development of a territorial policy that will promote the lasting, close relationship between the territories and the rest of the United States.

2. Question: What was the total cost of U.S. financial and other assistance to the Northern Mariana Islands during fiscal years 1981 and 1982? What agencies provided this assistance and how much did each provide? How much is programmed for fiscal year 1983 and requested for 1984? Is all assistance, particularly loan and grant assistance, coordinated through Interior and directed towards the highest U.S. priorities and goals? How much is provided for tax administration and the Islands' water and power programs?

Answer:

FY 1981	$38,400,000	
FY 1982	$37,800,000	
FY 1983	$1,986,713	(first quarter) (Based on the Federal Assistance Awards Data System)
	$265,668	(second quarter) (Based on the Federal Assistance Awards Data System)

A breakdown of the agencies providing FY 1981 and FY 1982 assistance is not available at this time. The amount of money programmed for FY 1983 and requested for FY 1984 is not channeled through our Office, hence we do not know the exact figures. The territorial governments apply for financial assistance directly from each U.S. Government Department and/or agency. To date, assistance for tax administration has been provided on a limited basis.

Unlike the other territories, the NMI does not have a water and/or power authority; these operations are handled by the NMI Department of Public Works. The Office of Territorial and International Affairs has made clear its position that the territories ought to adjust their rate structures to a level more on par with the cost of production. Recently, some of the governments, including the Northern Mariana Islands, have done this; however, the rate is still somewhat below the cost of production.

From FY 1977 through FY 1983, a total of $14.8 million has been provided through the Department of the Interior to the Northern Mariana Islands for power system improvements. The largest single amount was in FY 1980, when $5 million was appropriated for a new power plant on Saipan, consisting of three 8 MW generators. Congress had authorized $12 million in P.L. 95-348 for power improvements. The

NMI has requested the balance of this authorization to purchase additional generating equipment to be used for back up and add-on capacity. Additionally, approximately $9.8 million has been allocated for power system improvement through the Covenant construction grants.

At the time that TIA and the Bureau of Reclamation were discussing a possible water resources study on Saipan, neither had seen a copy of a recent study prepared by the Joint Venture of GK2 and CE Maguire. After examining that report and discussing the Bureau of Reclamation's proposal with NMI officials, TIA determined that a second study would be a duplication effort. Therefore, funds were not requested in FY 1984 for this purpose by either TIA or the Bureau of Reclamation.

3. Question: In budget oversight hearings before the House Subcommittee on Insular Affairs on February 24, 1983, the Governor of the Northern Mariana Islands said that Interior's fiscal year 1984 budget request was developed with little consultation with the territory.

--How does Interior respond to this assertion? Is better consultation and coordination needed?

Answer: It is true that there was little consultation concerning the NMI portion of the budget. The NMI had been given the estimate of the gross national product that was to be used for the Covenant grant, and was then given the actual index when it was known. The NMI, therefore, knew of the Covenant grant amount at the same time TIA did. In addition, the NMI was cognizant of the fact that the administration was committed to seeking $15 million for the hospital, and that it was likely that this amount would be sought in FY 1984. The action to defer funds previously appropriated for use as the Covenant inflation adjustment was not finalized until days before the President submitted his budget. The NMI was informed of the deferral by telephone as soon as the budget was released.

The amount of coordination and communication related to the budget varies depending on the nature of the items proposed. If more coordination had been required for FY 1984, it would have occurred.

4. Question: Regarding Interior's fiscal year 1984 budget request, were any capital development projects for the Islands deleted by Interior's Assistant Secretary for Policy, Budget and Administration? Were any projects deleted by OMB? What were these projects and their estimated costs?

Answer: In its submission to the Department, TIA had proposed $3.5 million for NMI water supply and distribution improvement This amount was deleted at the Department level. No capital improvements, other than the hospital, were proposed to OMB.

Northern Mariana Islands - Water and Power

1. Question: In 1981, the House Appropriations Committee requested Interior to study the options available to make territorial water and power authorities self-supporting and make recommendations, including any legislative changes in conjunction with its fiscal year 1983 budget.

--Regarding the Northern Mariana Islands, what were Interior's recommendations? Has the Commonwealth taken or planned actions to comply with Interior's recommendations?

Answer: Unlike the other territories, the NMI does not have a water and/or power authority; these operations are handled by the NMI Department of Public Works. The Office of Territorial and International Affairs has made clear its position that the territories ought to adjust their rate structures to a level more on par with the cost of production. Recently, some of the governments, including the Northern Mariana Islands, have done this; however, the rate is still somewhat below the cost of production.

2. Question: A U.S. Government Comptroller's report (RNM 81-2) in August 1981 addressed the adequacy of utility rates and the collection of utility charges by the Department of Public Works. In this report, the Comptroller estimated that it

cost the Department 10 cents to produce one kilowatt hour of electricity in February 1981. However, the Department was charging only 3.5 cents per kilowatt hour, the difference being subsidized by the government. The Comptroller estimated the government's subsidy to the Department for Saipan at $6.2 million for October 1979 - March 1981. The audit report recommended that the Governor appoint an additional Utility Rate Commission member and, after having done this, the Commission should pursue the goal of making the Islands' public utility services self-supporting.

--What is the present cost per kilowatt hour to produce electricity? What rate are customers charged? If the rate is not sufficient to cover costs, what plans are there for increasing the rates? Does Interior believe that the rates need to be increased? Why or why not?

Answer: While the question relates to the Commonwealth of the Northern Mariana Islands, the High Commissioner reports the situation is similar in all Trust Territory governments. The governments are charging less than what it costs to produce power.

The High Commission reports that estimated production costs run anywhere from a minimum of 14 cents per KW to 24 cents per KW. The governments are charging anywhere from 4 cents to 18 cents per KW.

The Marianas have increased their utility rates from 3.5 cents per KW to a range to 6 to 9 cents per KW, depending on total consumption. Production costs run in the neighborhood of 15 to 17 cents per KW.

OTIA has been very concerned about the situation. It was one of the subjects of discussion during a recent trip of the Deputy Assistant Secretary to the area. It is our opinion that rate increases must be considered, collections must be improved, and consideration should be given to "privatization" of water and power operations in both the U.S. and Trust territory.

3. Question: The Comptroller's August 1981 report also noted that the Department had not billed all consumers for services provided. For example, 6 out of 48 consumers on Saipan were not billed for water and power primarily because the Department removed the names of those requesting termination of service from their master billing list without terminating service. Thus the new or old occupants received service but were not billed. In addition, the report noted that the Department was not conducting surveys to determine the appropriate charge for flat-rate users. For example, while the surveys were to be conducted every 6 months the Comptroller found that for 30 flat-rate users on Saipan the last survey was made in 1977. In light of these findings, the report recommended that 1) the Department of Public Works conduct a utility users survey on Saipan to ensure that all users are on the master list for billing purposes, 2) terminate utility services for premises when requested by the user and not restore power until requested by the new applicant, and 3) conduct a survey of all flat rate utility users and make appropriate rate adjustments.

--What actions has the Department of Public Works taken or planned to address these recommendations? Does Interior concur with these recommendations? Has it provided any assistance to the Department for implementing the recommendations?

Answer: The old practice of removing the names of those requesting termination of service from the master billing list without terminating service has been stopped since October 1982. When one occupant moves out of a house and the name is removed from the billing list, the service is immediately terminated. The new occupant has to personally apply for service. The Department of Public Works (DPW) has also updated the master billing list to include the consumers who received service but were not billed.

DPW completed the survey of flat-rate users to determine the appropriate charge for these consumers in December 1982, and has a plan to resurvey them every six months to make rate adjustments.

All the above action has been taken without any assistance from Interior. It was done in-house with existing staff with the addition of one experienced supervisor.

It was possible to complete this work promptly because the existing staff were relieved of rate collection duties that transferred to the Department of Finance.

4. Question: The Comptroller's August 1981 report also stated that electric power and water users were not paying their bills in a timely manner and the Department was not enforcing its policy of terminating service. According to the report, the Department's procedures considered an account delinquent if payment had not been made within 60 days from the bill's issuance on Saipan and Tinian and within 30 days on Rota. The procedures further provided that the Department should issue delinquent notices to users and discontinue service if payment is not made within 11 days thereafter. The Comptroller found that the Department was issuing notices of delinquency but was not discontinuing service when payment was not made within the time limit nor did it have procedures for referring delinquent accounts to the Islands' Attorney General's office for legal action. The report recommended that the Department 1) enforce its policy of discontinuing utility services to users who do not pay their bills in a timely manner and 2) establish a policy for referring delinquent accounts to the Attorney General's office for legal action.

--What action has the Department of Public Works taken to implement these recommendations? Are these actions necessary for improving the overall management of the Department?

Answer: In accordance with Public Law 3-11, the collection of utility rates is now done by the Department of Finance (DOF). This has improved the meter reading and rate billing by existing DPW staff. DOF also prepares a monthly list of delinquent consumers for disconnection and sends it to DPW for action. Within 48 hours of the receipt of the delinquent list, in accordance with the new P.L. 3-11, DPW issues warning notices to the delinquent consumers, who usually rush to pay their bills. Since October 1982, there has been only 10 disconnections carried out by DPW.

DOF and the Attorney General's office are finalizing their negotiations with White & Novo-Gradac, a local attorney firm, to be the collecting agency for delinquent account.

The above action by the various departments will improve the overall management of the utility operations.

Northern Mariana Islands - Power

1. Question: The Northern Mariana Islands applied for funds from the Department of Energy for fiscal year 1983 to conduct an ocean thermal energy conversion study. The Department did not approve the request.

--Did Interior support this request? Did Energy consult with Interior before rejecting the request?

--Did the Islands ask for funds for this study for fiscal year 1984? If not, why?

Answer: Attached is a copy of a July 8, 1981, letter from the Office of Territorial and International Affairs to Dr. William Richards, Director of Ocean Energy Systems, Department of Energy, which supports selection of the NMI as a site for an OTEC project. Additionally, Assistant Secretary Sanjuan met with Assistant Secretary Joseph Tribble, Conservation & Renewable Energy, Department of Energy, and Rick Neal, White House Office of Intergovernmental Affairs, to reaffirm TIA's support of an OTEC project in the NMI.

1. OTEC Proposal

The Northern Mariana Islands applied for funds from the Department of Energy as far back as 1980 to conduct an ocean thermal energy conversion study, supported by a report on this alternate source of energy by the Natural Energy Survey Team of Japan (Mitsui Consultants/Toshiba Corporation). We were told by DOE that CNMI would have to compete with the other States for OTEC funding that would be available soon.

CNMI submitted an OTEC proposal to DOE in February 1981, sparing no effort to produce the three bulky volumes in response to P.O.N. DE-PN01-80CS80000. In February 1982, instead of the minimum of 6 awards originally announced, only two were granted to the State of Hawaii. Although the CNMI proposal was rated technically higher than the second one awarded to Hawaii, CNMI did not get an award because it was in a typhoon prone area. Yet the CNMI design addressed this problem, but neither during the public hearing nor in the written assessment by DOE was CNMI told that the design was defective.

It must be pointed out that the CNMI P.O.N. proposal was fully supported by the Office of Territorial and International Affairs, as shown in a letter dated January 5, 1982 from Mr. Pedro Sanjuan, the Assistant Secretary for OTIA. There is no evidence that the Department of Energy consulted with the Department of Interior before rejecting the CNMI OTEC proposal.

CNMI included the OTEC study in the FY 1983 House and Senate Appropriations Committee hearings in the amount of $1.3 million, together with $0.7 million for biomass and $0.5 million for photovoltaic, but they were all rejected. CNMI did not renew the request in FY 1984 because it was obvious that there was no support for OTEC. However, CNMI asked for one biomass and one biogas project, which are considered the most viable for the islands.

2. Alternate Energy Sources

With limited funding under the SECP and EES programs, the Northern Marianas has done a lot of work on alternate energy sources: solar water heater, photovoltaic, biomass, biogas, wind and geothermal. However, the emphasis is on solar water heater, biomass and biogas only, because the others have proved to be either too expensive or defective in design.

3. NASA Report

A NASA team came once to CNMI to study the Islands' energy situation in November 1982. The team's charger did not differ from the DOE's Phase I and II studies completed in 1981 and 1982. The NASA team submitted a report, which only repeated what we told the DOE Assessment Team. Interior and CNMI cannot use this report, as there is nothing concrete in the study. What CNMI needs is not another study by NASA or any other agency, but actual implementation of the biomass and biogas programs, as requested in the FY 1984 budget submissions to the House and Senate Appropriations Committees, and further explained during the testimony of CNMI at the House Interior and Insular Committee Hearing on Energy for U.S. Insualr Areas which was held in Washington, D.C., on May 12-13, 1983.

4. The U.S. Government's total investment in the CNMI power program is $5,000,000 when the new power plant was constructed at a cost of $9,000,000 in 1980. Since then, CNMI has requested more funding for an additional generator, but received nothing even though a sum of $12.0 million had been authorized for power plant expansion since FY 1979 (P.L. 95-348). Meanwhile, CNMI has spent $9.071 million on power expansion in the islands, and has programmed another $1.635 million for FY 1984 from the CIP funds:

FY 1981	FY 1982	FY 1983	FY 1984 programmed
$3,171,000	1,900,000	4,000,000	1,635,000

(Copies of the July 8, 1981 and January 5, 1982 correspondence follow.)

Dr. William Richards
Director
Ocean Energy Systems
Department of Energy
Washington, D.C. 20545

JUL 8 - 1981

Dear Dr. Richards:

On behalf of the Department, I wish to comment on the application of the Commonwealth of the Northern Mariana Islands for selection as a site for the development of an Ocean Thermal Energy Conversion Project. It is our understanding that the Commonwealth has responded to the Department of Energy Program Opportunity Notice (PON) for a 10 Megawatt OTEC Plant with a request for an initial study grant of $900,000.

The Commonwealth of the Northern Mariana Islands has an ideal site at Lau Lau Bay, with the ocean reaching a depth of over 2,000 feet within one mile of the coast, and year-around warm temperatures at the surface. A 10 Megawatt plant also can meet the average energy load of Saipan according to Commonwealth officials. Saipan is 100% dependent on imported oil for electric power and has few alternate domestic energy resources. Rising oil costs are diverting limited revenues from the Commonwealth's development and self-sufficiency.

The proposal submitted to your Department also has the strong backing of the executive heads of the neighboring United States territories and of the new political entities of the Trust Territory of the Pacific Islands. We understand that the Governors of Guam and American Samoa have endorsed the CNMI proposal. The proposal also is of keen interest to neighboring independent Pacific countries. The United States, thus additionally, has an unique opportunity, by selecting Saipan as a study site, to demonstrate the potentials of the OTEC method to energy poor countries of the Pacific region.

Sincerely yours,

for [illegible]
Billy Lee Hart
Acting Deputy Assistant
Secretary - Operations
Territorial and International Affairs

Mr. George Chan
Chief Physical Planner
Commonwealth of the Northern
Mariana Islands
Office of the Governor
Saipan, Mariana Islands 96950

Dear George:

I am pleased to respond to your recent delivery to my Special Assistant, Eva M. Neterowicz, of the OTEC feasibility study prepared by the government of the Northern Mariana Islands.

I am personally concerned with the need to cure the territories of their dependence on imported oil and the development of indigenous sources of energy.

My concern and conviction of the need to develop alternative energy sources has prompted me to begin organizing an energy symposium for the U.S. insular areas to be held in the spring of next year in Washington, D.C.

Thank you for the report which I found to be most useful.

Sincerely yours,

(Sgd) Pedro A. Sanjuan

Pedro A. Sanjuan
Assistant Secretary for
Territorial and International
Affairs

2. Question: What is the Northern Mariana Islands doing concerning the study of alternate energy sources?

Answer: With limited funding under the SECP and EES programs, the Northern Marianas have done a lot of work on alternate energy sources: solar water heater, photovoltaic, biomass, biogas, wind and geothermal. However, the emphasis is on solar water heater, biomass and biogas only, because the others have proved to be either too expensive or defective in design.

3. Question: According to an Interior official, in January 1983 a National Aeronautics and Space Administration team was studying the Islands' energy situation.

--What was the team's charter and how did it differ from the Department of Energy's Phase I and II studies completed in 1981 and 1982?

--Has the NASA team completed its report? If so, what were its principal findings? Please provide a copy for the record. How will Interior and the Northern Mariana Islands use this study?

Answer: The NASA team travelled to the NMI on January 6-21, 1983, under TIA's technical assistance program to review energy needs of the NMI. Their work was different than that performed by the Department of Energy in that it identified alternate energy sources available in the immediate to near-term future, and addressed needs of the existing power system.

Attached is NASA's final report on that trip. The principal findings address two areas: 1) alternate energy and, 2) existing power facilities. NASA concluded that the most feasible alternate energy technology to be implemented in the immediate future is biomass. The government of the NMI is currently considering a proposal to develop a biomass project on either Saipan or Rota. NASA also recommended that the NMI formulate energy policy options and objectives, paying particular attention to rate structure and private sector involvement.

(A copy of the report follows.)

FEB 10 1983

TO: Distribution

FROM: 4160/Solar Energy Projects Office

SUBJECT: Trip Report for Visit to Commonwealth of the Northern Mariana Islands, January 6-21, 1983

At the request of the Director of Technical Assistance, Office of the Assistant Secretary of Territorial and International Affairs of the U.S. Department of Interior (DOI), William J. Masica; Head, Solar Energy Projects Office and William A. Brainard, Solar Systems Section of NASA-Lewis Research Center conducted a two-week visit to the Commonwealth of the Northern Mariana Islands (CNMI) to assist the DOI in preparing an energy plan for CNMI. Invitational travel orders were issued by the DOI for this visit. The itinerary included Hawaii, Guam and the major CNMI islands of Saipan, Tinian and Rota. This report is a chronology of that visit. A list of the individuals contacted during the visit is attached. Also enclosed are a series of pictures illustrating the visit. A briefing detailing our findings and recommendations will be presented to the DOI later this month.

We departed Cleveland on January 6, 1983 and stopped for two days in Honolulu, Hawaii. There we visited several individuals who have been involved in energy-related activities in the South Pacific area.

The first meeting was with Mr. John Shupe, Director of the Hawaii National Energy Institute who reviewed for us the ongoing activities in renewable energy technologies in the Hawaiian Islands. Topics covered included: Ocean Thermal Energy Conversion (OTEC), biomass fuel, wind generators, undersea electrical cables for high voltage power transmission between the major Hawaiian Islands, and geothermal energy-generated power systems on the island of Hawaii. Mr. Shupe told us most of the work in Hawaii has shifted from demonstration projects to R&D. He remains optimistic about Hawaii achieving the goal of being 50 percent self-sufficient in electricity production by 1990.

Next we met with Thomas Schroeder of the Meteorology Department of the University of Hawaii who recently completed a DOE-funded report entitled, "Wind Energy Assessment for the Western Pacific Based on Ship Reports." Data gathered by Mr. Schroeder for this report included the CNMI region. Mr. Schroeder's opinion is that the wind resources available in the Mariana look promising and that a comprehensive measurement program should be undertaken on one island in the CNMI (preferably Saipan).

We then met with Mr. Ken McDicken of the College of Tropical Agriculture, also part of the University of Hawaii. Mr. McDicken, along with Professor James Brewbaker, is conducting extensive programs in the use of rapidly growing species of trees (e.g., leucaena and eucalyptus) as a fuel source, either for direct combustion or for feedstock for wood gasifiers and/or charcoal production. Brewbaker and McDicken recently authored a report, funded by DOE, entitled, "Biomass Energy Options for the American Territories of the Pacific." The authors are of the opinion that integrated tree farming-thermal electric power generation systems appear to be both economically and technically viable for the CNMI in the near term. Mr. McDicken indicated that some R&D efforts are still required in species adaptability, crop rotation, and soil depletion to provide accurate long-term predictions of system economics.

Following the meetings at the University of Hawaii we visited SETS, Incorporated, a small science, education, technology and sales firm that recently completed a study of salt ponds for the pacific territories as part of the DOE Phase II Energy Assessment. The report is entitled: "Suitability of Salt-Gradient Solar Ponds for Electrical Power Generation in the U.S. Trust Territory of the Pacific Islands, Guam and American Samoa." The company has also

submitted a proposal to the Republic of Palau to build a one acre (about 10 kW) demonstration salt-gradient pond to assess the viability of the technology in a South Pacific setting. At the time of our meeting, the status of this project was still uncertain. The personnel from SETS, Incorporated, believe that salt-gradient ponds, once engineering designs are developed, can be economically advantageous when contrasted to small diesel generated power systems on a life cycle cost basis.

Our last meeting in Honolulu was with Mr. Harvey Meyerson, a private consultant (Melville Pacific, Inc.) with experience in renewable energy technology in the South Pacific. These discussions were of a general nature and covered topics such as technical skills and labor availability and possibilities of third-party financial energy systems being introduced into the region.

On Sunday, January 9, we left Honolulu for Saipan via Guam and arrived in Saipan on Monday, January 10.

On Tuesday, January 11, we met with Ms. Janet McCoy, High Commissioner of the Trust Territory of the Pacific Islands (TTPI) and discussed with her the purpose of our visit and also provided an update on the status of the Utirik Atoll Photovoltaic Power Project in the Republic of the Marshall Islands (ROMI). A copy of the Memorandum of Understanding for that project was given to her so she could discuss it with President Kabua of ROMI at a meeting she was having with him the following week in Majuaro.

We spent the remainder of the day talking with Mr. Charles Jordan, Director of the Office of Planning and Statistics (TTPI). The ongoing energy projects in all of the Trust Territories were reviewed and a summary update document (November 1982) detailing these activities was obtained.

On Wednesday, January 12, we met with Mr. George Chan, Chief of Physical Planning for the CNMI and various members of his staff. Mr. Chan reviewed for us the status of his various projects and planning activities. Ongoing and planned energy-related activities include:

- Development of small (7 m^3) animal waste biogas digestors designed to generate gas to enable small farms to be energy self sufficient. Gas would be used for lighting, cooking and hot water heating. Five demonstration digestors, 3 on Saipan and 1 each on Tinian and Rota, have been built with funds from the DOE Energy Extension Service (EES).
- Development of a large (300 m^3) biogas digestor to be located on a dairy farm on Tinian. The immediate goal is energy self-sufficiency with a longer term goal of producting excess power for the Tinian utility. This project is also funded by the EES.
- Installation of a photovoltaic power system at the airport on Tinian to operate ventilation fans in the airport terminal building.
- Installation of 15 small (40 watt) photovoltaic power systems for home lighting, ventilation fans, and radio receivers for the outer islands of Alamagan and Agrihan. This project is also funded by the EES.
- Installation of a photovoltaic power system to provide air-conditioning for the operating theater at Dr. Torres Hospitals on Saipan. Funds for this project are expected from the DOE School and Hospital Program.
- Conducting tree-growing experiments at Saipan's Kagman Agriculture Station with species of giant Leucaena (Tangantangan) to investigate species adaptability, growth rates, crop yields, typhoon resistance and harvesting techniques. Mr. Chan's office is providing funds to the Department of Natural Resources for these experiments. The energy office is anticipating a proposal to be submitted for a small (approximately 500 kW) tree-farm/power plant demonstration system by a private sector mainland firm.
- Conducting an energy audit to determine end-use consumption of electricity. This project is proceeding at a slow pace as the individuals

assigned have other responsibilities within the utility system which requires the majority of their time.

- A study on the use of various CNMI ports as transhipment and storage points for Pacific coal shipments is being completed by the University of Hawaii's East-West Center. The study is being jointly funded by the Department of Commerce's Coastal Zone Management Program and the U.S. Army Corp of Engineers.
- A three month study to review the utility rate structure of the CNMI with a goal of recommending a rate structure, based on levelized revenue requirements, which will make the utility self-sufficient. Bids have been received for this study and an award was expected soon.
- Demonstrations of domestic solar hot water heating systems with a plan to offer inexpensive prefabricated kits at low cost for individual homes. An education/training program would be held to familiarize home owners with the advantageous and installation of the solar systems.
- Implementation of an energy conservation program within the public sector in CNMI. The program provides for metering of all government buildings with agencies being required to pay from their budgets for electricity used in their offices. A one-day workshop for government department heads on conservation was planned for late in January.

We also had the opportunity to review the following pertinent documents:

- o "Physical Development Master Plan for the Commonwealth of the Northern Mariana Islands"
  - Volume I - Introduction and Implementation
  - Volume II - Saipan
  - Volume III - Tinian
  - Volume IV - Rota

  Prepared for the Office of Transition Studies and Planning by Pacific Planning and Design Consultants, January 1978.
- o "Economic Development Strategy for the Northern Mariana Islands". Prepared for the Commonwealth Office of Planning and Budget Affairs by Robert R. Nathan Associates, Inc., May 1980.
- o "Saipan Power System Improvements Study". Prepared for the Commonwealth of the Northern Mariana Islands by Keller and Gannon Engineers/Architects, December 1981.

That same afternoon, Mr. Chan took us on a brief tour of the island to visit the site of some of the projects. We visited the site of a wind electric generator system installed by DOE/Rocky Flats. The 3 KW Kedco unit installed in mid-1982 by mainland-based personnel is not operational, having experienced an electrical system failure during the original set-up and check-out. Replacement parts have been received by CNMI but repair of the unit will be made by Rocky Flats personnel scheduled to return to Saipan in February. We were also taken to the top of a ridge line which the CNMI energy staff believes constitutes an excellent wind site; however, no data has been obtained from the site nor are there any plans to instrument it at this time. Wind data that is available for Saipan is from a COMSAT ground station on the west side of Saipan and from a CNMI Energy Office station on a farm below and east of the ridge line. Both of these data show relatively poor wind resources for these sites.

On Thursday, January 13, we visited the Saipan Chamber of Commerce to discuss the attitude of the business community toward private sector financed energy producers and limitations imposed on business growth due to power shortages and effects of rate structure changes. Information was also obtained on the Economic Development Loan Fund which might be a source of financing for private sector energy companies.

Thursday afternoon was spent visiting with Mr. John C. Pangelinan, Director of Public Works. We discussed electricity generation costs, oil supply sources, fuel storage, distribution system problems and improvements. Saipan presently has a 28-day storage supply tank (about 11,500 barrels) and consumes between 400 to 430 barrels of fuel oil per day. Delivery of fuel is by barge from

Guam every two weeks. The Department of Public Works is proceeding to improve, as funds are available, the transmission and distribution system efficiency and security. The department also plans to meter all users although estimates are that this may take 1-1/2 years more to accomplish. Mr. Pangelinan expressed interest in auditing actual energy use, reforming the rate structure and instituting demand side energy management including load management and conservation. He believes that the major power demand on Saipan is for water heating and air-conditioning. Mr. Pangelinan also indicated he would be receptive to private sector participation in the electric power generation area.

On Friday morning, January 14, we visited the new Saipan power plant, presently consisting of three Mitsubishi-Man 7.2 MW diesel generators operating on residual fuel oil (RFO). Currently only two units are operational. Unit number three is out of service with a cracked shaft. A fourth 7.2 MW unit has been ordered from Mitsubishi and will be installed late this year. This will bring the new power plant up to 28 MW of capacity. Later that morning we visited the "old power plant" which now provides system peaking and backup to the new plant. The old plant has two 2.2 MW Norberg and two 1.5 MW White Superior diesel generators all of which operate on diesel oil. A discussion with the assistant plant supervisor noted that lack of a spare parts inventory and experienced, reliable operating and maintenance personnel are his most severe problems.

On Friday afternoon we visited one of the 7 m^3 digestor sites and were given a demonstration of the system operation. We also visited the Kagman Agricultural Station to see the test plantings of giant Tangantangan and to discuss the treefarming concept with the horticulturist in charge, Mr. Charles Frear. We were shown two fields, one with giant Tangantangan 2 years old and the other 1-1/2 years old. Mr. Frear believes it will take another two years to be completely confident in the viability of the giant Tangantangan for energy tree farms for CNMI although currently he has found no significant technical barriers. Based on soil similarities, Mr. Frear believes Tangantangan could also be successfully grown on Tinian. The tree farming concept being explored for CNMI is similar to an U.S. AID assisted program in the Philippines.

On Saturday, January 15, we returned to the new Saipan power plant to meet with Mr. M. Nishimota who is under contract to the CNMI to manage the plant. Discussions were held regarding equipment efficiency, maintenance history and costs, and projections for future capacity needs. Mr. Nishimoto believes, considering only operations and maintenance costs (excluding, for example, depreciation), that busbar electrical production costs are 6-7¢/kWh when the diesels are operated with RFO. He told us that the new plant is currently able to produce electricity at a heat rate of less than 9,000 BTU/kWh. (A recent survey study sponsored by the Electric Power Research Institute indicated that the national average heat rate for U.S. electric utility diesel plants was 11,144 BTU/kWh.) Nishimoto believes the higher maintenance costs incurred for diesels operated with RFO are more than offset by the cheaper fuel costs. He has no plans to document his belief with a side-by-side comparison when the new (fourth) 7.2 MW generator is installed.

On Monday, January 17, we met with Mr. Nicolas Guerrero, Director of Natural Resources, to discuss the availability of land for tree farm plantations. His office plans to implement two experiment biomass plantations, one in the Marpi region of Saipan (about 300 hectares) and one on the north shore of Rota (about 43 hectares) in accordance with the document entitled "A Forestry Conservation Program for the Northern Mariana Islands" prepared with the assistance of the U.S. Forest Service. He feels that if a full-scale tree farm to supply all of Saipan's energy needs (about 3,200 hectares required) were pursued, land availability on Saipan may be a problem as it might conflict with other rural development programs in livestock grazing and agriculture. He felt, however, that land could be made available on Tinian, under the lease back provisions of the CNMI-U.S. Military long-term lease agreement, (see below). Mr. Guerrero favored private sector development and operation of the tree farms rather than governmental operations.

On Tuesday, January 18, we traveled to Tinian accompanied by George Chan. The U.S. DOD had just exercised an option under the CNMI covenant to lease a large fraction of Tinian for 50 years for $33 million. The agreement provides for the leasing of some land back to CNMI for agricultural development and also contains a provision that the U.S. military sell excess power to the Tinian utility when available. We first visited the Tinian power plant and discussed the electricity generation situation on Tinian with Mr. Sylvester T. Cruz, the Tinian Resident Manager for the Department of Public Works. Data on the current demand and future needs were obtained. Tinian presently is utilizing a 670 kW Catepillar unit for all generation needs, and has an additional 600 kW of capacity which is currently idle..

The power plant consumes approximately 480 barrels of diesel oil per month at a delivered cost of nearly $47K/month. An additional 1 MW unit has been ordered and is expected to be installed in July of this year at a cost of $155K. Future power demands above the current peak of 580 kW appear modest with 160 kW so far identified. The major users of power are a dairy and beef production company and a restaurant-supermarket-hotel. Maintenance and availability of spare parts has been a longstanding problem.

We then visited Bio-Pacific Marianas, a joint venture between local businessmen and Japanese investors. This company is experimenting with growing of sweet sorghum, with 250 hectares currently under cultivation. The long-term goal of the company is to produce ethyl alcohol for export to Japan with a total production land area of 2500 hectares. If this company grows to that size, it will require substantial electrical power. Since the agriculture residue from sorghum is very similar to bagasse, the residue could likely be burned, such as sugar cane refuse is burned in Hawaii to generate enough electricity for the operation to be self-sufficient and perhaps even sell power to the local utility. A local source of alcohol could be of interest from the standpoint of producing gasahol locally.

We then visited the Micornesian Development Corporation (MDC), a private dairy and beef production company owned by Guam businessman, Mr. Ken Jones. The farm presently has approximately 8,000 cattle, 1,600 of which are dairy cows. The dairy produces approximately 500 gallons of milk per day for sale in the CNMI and Guam. Approximately 150 cattle are slaughtered each month producing beef for the same markets. The farm maintains three diesel generators (50 kW, 100 kW, 30 kW) to provide back-up power for the slaughter house, dairy and repair shop. Processing water for the dairy (500 gallons at 170° F) and slaughter house and dairy cleanup (1200 gallons at 120-130° F) is heated by oil fired boilers. The CNMI Energy Office is in the process of designing and will install a 300 m^3 digestor to operate off cattle waste produced in the milking pen (approximately 200 cows/day). The gas produced will be used as fuel in an internal combustion engine driven generator set to help the farm become energy self-sufficient. The farm is considering building a large cattle barn to fatten the beef cattle which now graze over open land. If large numbers of cattle were thus confined, large additional amounts of waste could be collected for an even larger digestor. Chan believes that, in this case, the MDC could generate excess power which it could sell to the island utility. Following the visit to MDC, we flew to Rota.

On Wednesday morning, January 19, we first met with Mr. Prudencio Manglona, Mayor of Rota. We discussed the current power situation and his expectations for future needs. Electric power is viewed as a critical priority area. A major immediate goal is to significantly increase generation capacity and expand power service from the main village of Songsong to the airport area, approximately 6 miles away. (The airport currently has its own 75 kW diesel generator system.) The area near the airport is being developed, under a homesteading program, with over three hundred people planned to be residing there in the next 2-3 years. The Mayor also reported that several investors are interested in building tourist resorts in this area if electrical power is made available.

Accompanied by the Mayor, we then visited the Rota power plant and met with Mr. Antonio Reyes, the Rota Resident Public Works Manager. Information on the current generating equipment and existing transmission system was obtained. The baseload power is provided by a 670 kW 1200 rpm Caterpillar generator and a 1500 kW, 720 rpm White Superior generator. Fuel usage averages 300 barrels per month. Distribution is by two main feeders operating at 4160 volts. An approximately two-week supply of fuel is stored in a 430 barrel storage tank near the plant. The fuel is brought by tanker truck from the Mobil storage tanks outside the village of Songsong. The largest single user is the PauPau resort hotel which has a demand exceeding 188 kW. As on Saipan, the majority of demand is believed to be for air-conditioning and water heating. Since propane is not generally available on Rota, electricity is also used for cooking. Maintenance was identified as a major problem with lack of spare parts and tools being critical.

As mentioned earlier, George Chan is expecting a proposal from a private mainland firm to be submitted to his office next month to build and operate a privately-owned demonstration wood-based power plant likely on Rota of approximately 500 kW. Details of the proposal are not yet known but Mayor Manglona indicated he would be receptive to discussions on the proposed project with the proposer's representative who is scheduled to visit CNMI in February.

In the afternoon, Mayor Manglona took us on a tour of Rota showing us the homestead village and the location of the CNMI Energy Office sponsored digestor on a Rota pig farm. Following our tour of Rota, we took a late afternoon flight to Guam.

On Thursday in Guam we visited with the newly installed Director of the Energy Office, Dr. Douglas Smith, to ascertain the status of the energy programs on that island. It was felt that decisions on Guam regarding energy production, particularly with regard to coal conversion, could significantly impact the CNMI. Smith told us that the study to determine the feasibility of converting Guam's main power plant (Cabras Island) to burn coal has not been implemented but his office is expecting to issue a request for proposals for the study soon. Mr. Smith was unsure as to what the source of funding for this study would be. His office is also studying the cost and availability of coal from both American and Australian sources.

Mr. Smith also reviewed two private sector proposals made to the Government of Guam. One proposal reportedly submitted by a London-based company, planned to provide 40 MW of electrical generation capacity with a combination of wind, photovoltaics and solar ponds. This proposal has not proceeded beyond the discussion stage. The second private sector energy proposal, from a New York-based company, plans a municipal solid waste plant, producing 5 MW of steam, and a 40 MW OTEC power plant. An agreement with the Government of Guam providing a license for these projects has been signed. However, there has been little progress on these projects and according to Smith, the company has not yet raised the financing required. Smith's office is also supporting an effort to encourage use of solar hot water heaters by supplying water heater kits and holding installation seminars. The office is also conducting some additional wind measurements. Mr. Smith is working with George Chan to institute an energy conservation program within the government sector in CNMI and was to be in Saipan the following week to hold a seminar for CNMI government department and agency heads. Smith, upon learning of the assistance being provided DOI by NASA for energy planning, expressed a desire to explore possible NASA assistance in Guam energy planning and development activities.

The visit with Mr. Smith concluded the TDY and the following day, Friday, January 21, we departed for the return trip home.

William A. Brainard

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(Formerly DOE Pacific Site Office Manager)

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George Chan
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Pedro P. Tenorio
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Ernest Jeppeson
Former President, Saipan Chamber of Commerce
Saipan, CNMI

4. Question: What is the U.S. Government's total investment in the Northern Mariana's power program? Has this money been spent in accordance with a power development plan and in a cost-effective manner? How successful has the program been? What is the current estimate of Federal funds needed to accomplish remaining power projects and objectives?

Answer: From FY 1977 through FY 1983, a total of $14.8 million has been provided through the Department of the Interior to the Northern Mariana Islands for power system improvements. The largest single amount was in FY 1980, when $5 million was appropriated for a new power plant on Saipan, consisting of three 8 MW generators. Congress had authorized $12 million in P.L. 95-348 for power

improvements. The NMI has requested the balance of this authorization to purchase additional generating equipment to be used for back up and add-on capacty. Additionally, approximately $9.8 million has been allocated for power system improvements through the Covenant construction grants.

Northern Mariana Islands - Water Programs

1. Question: What is the U.S. Government's total investment in the Northern Mariana's water program? Has this money been spent in accordance with a water development plan and in a cost-effective manner? How successful has the program been? What is the current estimate of Federal funds needed to accomplish remaining water projects and objectives?

Answer: CNMI is using CIP funds to improve an old and defective water supply system it inherited when it became a Commonwealth in 1978, as follows:

FY 1981	FY 1982	FY 1983	FY 1984 Programmed
$847,500	1,700,000	900,000	2,237,000

The improvement is part of a water development plan prepared by various consultants and recently reviewed by GK2 Maguire Inc. and Belt Collins and Associates. Saipan water hours were reduced to two a day in 1981 and the situation has improved significantly but is still very inadequate.

Despite repeated requests to remedy the problems experienced during the past 25 years from the inadequate and contaminated water supplies in Saipan, Tinian and Rota, there has been no supplemental funding from Interior. CNMI has used CIP funds to evaluate the water systems and develop cost estimates for improvement, and a sum of $13.0 million is needed over the next three years to rehabilitate the systems in order to meet minimum public health standards.

2. Question: An October 1977 report prepared by the Northern Mariana Islands entitled "Socioeconomic Plan for the Northern Mariana Islands - 1978 to 1985 (Vol. II)" stated that water produced on Saipan was of varying quality with regard to salinity and hardness.

--What improvements have been made since the report so that all parts of Saipan receive palatable water? What remains to be done and when are these projects scheduled to be accomplished? How will these projects be funded? What assistance is Interior providing in this regard?

Answer: As stated in the October 1977 report of the CNMI Socioeconomic Plan, the water on Saipan has high salinity and hardness. There is no question of treating this water at the moment, when we have problems of quantity and serious leakage in the system. We are over pumping in some areas to maintain the supply, while losing part of it through the leaky system. The only sensible thing to do under these circumstances is to dilute this water, and CNMI is doing this using CIP and extra funding from EDA. We have 20 new wells from new aquifiers that produce good quality water, and we are limiting the pumping rate so as not to increase the salinity, and with EDA funding ($750,000 in FY 1983 and $1,250,000 in FY 1984) we are collecting rainwater from Saipan airport, treat it, and then use it to dilute the existing highly mineralized water.

There is still a lot to be done and during the dry season, which can last for six months or more, the airport catchment will not be of any use. As already mentioned, CNMI needs $13.0 million to rehabilitate the system, and if CNMI has to rely on CIP funds only, the work will not be completed within the next decade. Interior has not provided any assistance yet.

3. Question: The October 1977 report also found that only 45 percent of private water consumers are "metered". Private homes with no meters were assessed a monthly charge. The report recommended that meters be supplied to all users so that all charges could be based on consumption.

--Have meters been supplied for the entire system? If not, why? What percentage of the system is "metered" and when will meters be in place for all users?

--What percentage of charges are uncollected? What procedures become effective when charges are not paid in a timely manner? Are these procedures being followed?

--What assistance is Interior providing concerning the implementation of this recommendation?

Answer: Meters have not been supplied for the water system because no funding was made available fo the past three years. At the moment, 54% of the consumers are metered. In FY 1984 CIP, a sum of $150,000 will be provided for water meters. With two years' funding at this level, the whole system will be metered, including new consumers during that period.

The percentage of charges uncollected (for both water and electricity which are billed together) is 41%. Since October 1982, consumers not paying their bills in a timely manner are having their supplies disconnected, and delinquent accounts will be forwarded to a firm of attorneys for collection, as soon as the contract is signed with that firm.

Interior is not providing any assistance concerning this work.

4. Question: In October 1982 Interior's Bureau of Reclamation forwarded to OTIA its proposal to study water resources development on Saipan. The Bureau estimated the study's total cost at $280,000.

--Did OTIA's or the Bureau's fiscal year 1984 budget request include funds for this study? If not, why?

Answer: One official from the Bureau of Reclamation arrived in Saipan at 8:00 a.m. without anyone in CNMI knowing about his visit, because the telex was sent to the Governor of CNMI, Guam. The Chief Physical Planner dropped everything to show him the entire water system in Saipan so that he could be back at the airport at 1:41 p.m. in order to catch his plane one hour later. Although he has been told that we already have eleven (11) reports on study of water resources development on Saipan, he still requested $1.0 million to do another study. After a big protest to Interior, Senate and House staff in October 1982 by CNMI, pointing out that the $1.0 million will be better spent in developing more wells or replacing leaky pipes, the estimated cost has now been reduces to $280,000.

CNMI does not want to make the number of water reports become one dozen. We have already proved that given the required funding we can improve our supply system, without any outside help of officials visiting us for half a day.

At the time that TIA and the Bureau of Reclamation were discussing a possible water resources study on Saipan, neither has seen a copy of a recent study prepared by the Joint Venture of GK2 and CE Maguire. After examining that report and discussing the Bureau of Reclamation's proposal with NMI officials, TIA determined that a second study would be a duplication of effort. Therefore, funds were not requested in FY 84 for this purpose by either TIA or the Bureau of Reclamation.

5. Question: In September 1981, the joint venture of GK2, Inc., and Saipan/CE Maguire, Inc. issued its report on Saipan's water system. Among the reports findings were that: 1) over 1/3 of all water supplied is lost through leakage primarily due to deteriorated reservoirs, water lines, valves, and service connections, 2) approximately 1/2 of the water pumps were not operating efficiently, and 3) over 1/2 of the energy used by water pumps is wasted because water lines are deteriorated thus impeding the passage of water. The study contained recommendations to repair the existing system and to develop new supply sources and storage facilities.

As an attachment to the fiscal year 1983 budget request, the Northern Mariana Islands provided its water development plan for fiscal years 1983-1986. The plan was estimated to cost $13 million for all the Islands.

--Is this plan on schedule and does it include projects to correct the deficiencies identified in the GK2, Inc. and Saipan/CE Maguire, Inc. study? How will these projects be funded? At what cost?

--Is the Northern Mariana Islands' 1983-86 plan for developing its water resources part of a larger plan? When will the plan be completed and at what cost? How will these needs be funded? Be specific.

Answer: GK2 Maquire did not tell CNMI anything new; in fact, we told them what was wrong with our system. We also knew that the pumps were not operating efficiently, and over half the energy used by water pumps was wasted because of deteriorated water lines. The only thing we could do when the Governor declared a state of emergency because the water hours were reduced to two in certain sections and zero in the others, was to replace the pumps, besides developing new wells. But having more efficient pumps meant more pumping, but also more leakage because of the deteriorated system.

The 1983-86 water development plan, costing $13.0 million, was based on the GK2 Maguire Inc. report. The $13.0 million will be for rehabilitating the existing systems in Saipan, Tinian and Rota. CNMI does not have a large plan for water development in the future, as it wants to tackle the urgent problems first. At the present level of funding from the CIP funds, it will take 10 years to rehabilitate the existing defective system, estimated to cost $13.0 million plus inflation.

6. Question: The GK2, Inc. and Saipan/CE Maguire, Inc., report also recommended that a basic study of water resources on ROTA be done.

--Was this study done and what were its principal findings? Please provide a copy for the record.

Answer: Rota does not need a basic study of water resources at the moment. What Rota needs is replacement of the leaky pipes outside the village of Songsong, and development of at least two wells, in order to provide water to the homestead and farms.

7. Question: According to the Northern Mariana Islands' January 1978 Physical Development Master Plan for Saipan, consultants were to prepare a Water Facilities Fact Plan which would rank and schedule system improvements through 1997.

--Was the plan prepared? Is an annual update made? Please provide a copy for the record. Does the Northern Mariana Islands' plan coincide with the consultant's plan?

Answer: With two hours of water a day and a water system that leaks badly, CNMI did not think as far ahead as 1997.

Northern Mariana Islands - Tax Administration

1. Question: Did the Internal Revenue Service tax code go into effect during January 1983? Are the Northern Mariana Islands prepared to assume this responsibility? What assistance have the Islands requested from the ULS. Government? How effective were they at collecting local taxes under the old tax system? Are there any recent studies or audits to support your responses to those questions?

Answer: No, the Internal Revenue Code (Territorial Income Tax Law) did not go into effect during January 1983. The Territorial Income Tax Law was in effect since January 1979 only for income from sources outside of the Commonwealth.

The Northern Mariana Islands is not prepared to assume the responsibility of administering and enforcing the Territorial Income Tax Law. No employee of this administration is trained to handle even the least complex tax situation. The employees are trained, and are proficient, in the administration and enforcement of the local taxes.

On May 30, 1979, then Acting Governor Ada wrote to then Secretary Blumenthal requesting the assistance of the Secretary of the Treasury in administering and enforcing Sections 601, 602, 603 and 604 of the Covenant. However, pursuant to section 3(d) of U.S. Public Law 95-348, the Secretary of the Treasury is

authorized and directed upon the request of the Governor of the Northern Mariana Islands, acting pursuant to legislation enacted in accordance with sections 5 and 7 of article II of the Constitution of the Northern Mariana Islands, to administer and enforce the provisions of section 601, 603, or 604 of the Covenant. Since the request was to assist and not for IRS to assume full authority in the administration and enforcement of the Territorial Income Tax Law, IRS would not render such form of assistance. The Northern Marianas, however, wants to retain autonomy in its internal affairs and does not wish to have IRS have a complete control over the tax administration.

We cannot comment on how effective the IRS was at collecting local taxes under the old system. IRS never collects local taxes under the old tax system.

CONCLUSION OF HEARINGS

Senator McCLURE. Thank you. This completes the subcommittee's hearing schedule for review of the fiscal year 1984 budget requests for the agencies under the jurisdiction of the Interior and Related Agencies Subcommittee.

The subcommittee will stand in recess subject to call of the Chair.

Thank you.

[Whereupon, at 3:50 p.m., Thursday, May 12, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

[CLERK'S NOTE.—The subcommittee was unable to schedule a hearing for the Navajo and Hopi Indian Relocation Commission.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTION 1 The Commission's fiscal year 1983 budget was reduced as the required authorizing legislation was not enacted. We are scheduled to report all appropriations bills by May 15th. Will you have an authorization bill by that time? What portion of the budget request requires an increase in the authorization level?

RESPONSE We are hopeful that a reauthorization bill will be enacted prior to May 15th. Congressman Morris Udall will introduce legislation very shortly. The portion of our budget request for F.Y. 1984 requiring an increase in authorization is our Housing Acquisition Component. All other budget categories are well within existing authorization levels.

QUESTION 2 The fiscal year 1983 appropriations bill contained a prohibition barring relocation payments or bonus payments to any person not physically residing in the Joint Use Area on the date of enactment of the appropriations bill. We understand that the Commission is particularly troubled by this provision with respect to approximately 550 families who relocated from the JUA between fiscal years 1977 and 1982 without federal assistance. Would you present your case for paying these 550 families prior to or concurrent with relocation of the remaining 450 families residing full-time within the partitioned area?

RESPONSE In the original Relocation Act of 1974, Congress provided that Navajo and Hopi individuals who were heads of household and residing on lands partitioned to the Tribe of which they are not members were entitled to relocation benefits.

The Commission was directed to assure a thorough and generous relocation program in order to avoid any repetition of the unfortunate results of other official Indian relocation efforts. It was in this spirit and framework that the Commission drafted its eligibility regulations.

These regulations have been the focus of much attention and continuous scrutiny. Both Tribes carefully reviewed them, meetings were held throughout the two reservations to receive relocatee input so that the regulations would reflect the social, economic, and cultural characteristics of the people who lived in the Former Joint Use Area. Even Congress, through the Government Accounting Office played a direct role in the formulation of the regulations when the Comptroller General wrote an opinion on this issue in August, 1978.

In 1980, when amendments to the original Relocation Act were under consideration, the eligibility issue was a matter of discussion. It was the wisdom of the Senate and House Committees to leave the regulations as they were. There was sound reasoning behind this conclusion. If the eligibility regulations had been changed:

(1) The credibility of the Commission and Congress would be questioned;

(2) The U.S. Government would once again be viewed as breaking its promises to Indians;

(3) It would be seen as unfair by potential relocatees in that many people had already been certified by existing regulation, yet potential relocatees would be denied benefits.

(4) There would be substantial litigation over the change.

The regulations have been in effect for five years and the people have, in good faith, relied on them. To change them now would create another uncertainty which Navajo and Hopi people must endure.

QUESTION 3 In six years, the Commission has relocated only 200 families who were full time residents of the JUA. At this rate, it would take another 13 years to relocate the remaining 450 families still physically residing in the JUA. We don't have 13 years -- why shouldn't all available resources be concentrated on those 450 families?

RESPONSE The Relocation Commission does intend to concentrate all available resources, between now and July, 1986 on the approximately 450 families still physically living on the FJUA. The only exception to this policy, depending upon legislation and/or appropriation language in future years will be the accommodation of those extended family members who might be part of a group move in conjunction with those physically residing on the FJUA. Chairman Watkins' statement addressed the fact that the Commission has every intention of prioritizing moves for those physically residing on the FJUA in order to preclude the possibility of forced removal in 1986.

QUESTION 4 In fiscal year 1980, relocation benefits were paid to 140 families; in fiscal 1981 to 95 families and in fiscal year 1982 to only 79 families. You are projecting relocation of 90 families this year and 185-200 families next year. What portion of these are families who have already moved and been certified as eligible who you are simply planning to pay rather than planning to move?

RESPONSE Under P.L. 93-531, as amended, the Commission must provide decent, safe, and sanitary dwellings to every family that relocates. During FY 1984, agency policy calls for relocating families who currently live and maintain homes on the Former Joint Use Area.

QUESTION 5 At White Cone, the Commission has paid for the construction of five houses for members of one family. That family owned three houses inside the Joint Use Area and one house outside of the area. In fact, the new homes are right around the latter house. Several of the grown children had moved to Flagstaff for jobs. As we understand, the Commission determined that there were five heads of household in this one family as all would have stayed on the reservation had there not been a construction freeze and had there been employment opportunities.

While housing construction provides a short term infusion of money into the local economy, there are still no real employment

opportunities. Do you believe that these five homes at White Cone will all be occupied full-time by those for whom they were built? Have those family members who were working in Flagstaff quit their jobs to return to the reservation?

RESPONSE We have no information on what the families' long-term intentions are.
According to our best information, none of the family members have had nor do they now have jobs in Flagstaff.

QUESTION 7 How can we justify building five homes for three which must be vacated?

RESPONSE Each adult head of household who is certified as eligible under the Commission's Rules and Regulations has a right to their own dwelling. As a result of over 20 years of a construction freeze, these families, like many others from the Former Joint Use Area, have had large numbers of extended family members sharing the same dwellings.

The Commission's definition of safe, decent and sanitary dwelling, which was patterned after that used by the HUD, would prohibit crowding more than one family into a new single-family dwelling.

For instance, one of the dwellings referred to in the Committee's prior statement was occupied by 18 persons, living in approximately 600 square feet. Such overcrowding violates all commonly held notions of safety, decency and sanitation. It would be indefensible for the Government to replicate such conditions in the replacement dwellings.

QUESTION 8 Five families who were District 6 evictees have applied for assistance with a group move. How many homes do these five families occupy?

RESPONSE The five families were living in three houses in Indian Wells.

QUESTION 9 What is the ratio of homes constructed or purchased to those which have been vacated?

RESPONSE As of 3/14/83, the Commission has acquired 470 replacement homes. As of the same date, 158 dwellings on Hopi Partitioned Lands have been acquired by the Commission immediately prior to relocation of the owners.

QUESTION 10 Of the remaining 450 heads of household currently residing on the partitioned area, how many are extended families sharing one house?

RESPONSE Unknown, however, Census Bureau Enumeration showed 811 dwellings as of April 1980 on the Hopi Partitioned Land.

QUESTION 11 The 1980 amendments authorized land exchanges in an effort to reduce the need for relocation. Based on negotiations to date, what is the chance that any exchanges will be finalized within the next year?

RESPONSE The Commission believes that the chances for successful land exchange negotiations between the Navajo and Hopi Tribes during the next year are very good. It should be noted that the new Navajo Tribal Chairman and the Hopi Tribal Chairman are devoting serious efforts towards land exchanges. The Commission will continue to facilitate negotiations whenever and wherever possible.

QUESTION 12 Does the Commission have any recommendations in this area (re: land selection and compensation of BLM lease-holders)?

RESPONSE The ranchers could seek a private relief bill.

QUESTION 13 In a letter dated December 14, 1981, the Comptroller General of the United States recommended that the Commission revise its regulations with regard to those classified as "temporarily away" so that benefits would be paid only if those individuals had families to relocate. Are you familiar with that recommendation and has it been given consideration by the Commission?

RESPONSE Yes. The Commission is familiar with the Controller General's Letter of December 14, 1981, and has given the recommendations contained in the letter very careful consideration and review.

The Commission has determined that a revision of its regulations would not be appropriate. The regulations have been interpreted to allow payments to persons who have left family behind and need to relocate and who have retained property interests and their family homesteads within the Former Joint Use Area, "consistent with Congress' wish to reduce the economc, social, and cultural impact of relocation."

QUESTION 14 Over the past two years, $1 million has been appropriated in discretionary funds. The justification provides only a vague outline as to how these funds have been used. For the record, please submit a list of all grants made from this fund, the private investment which has been attracted and the performance audits which have been conducted.

RESPONSE

1982 Discretionary Fund
Grant Awards

Applicant	Project Title	Amount Funded	Performance Audit & Monitoring Tools*
Winslow Community Counseling Center, Inc.	Vocational Training, Residental & Counseling Services	$ 59,800	Monthly Written Report, On-Site Monitoring Visit. Coordination with RAS.
Coalmine Mesa Chapter	Pre-move Counseling and Family Supportive Services	36,000	Monthly Written Report On-Site Monitoring Visit
Northern Az. University (Ends 3-31-83)	Emergency & Grazing & Water Services Planning Project	28,935	Monthly Written Report, On-Site Monitoring Visit Monthly meeting with Program Manager Attend Steering Committee Meetings.
Project PPEP (Portable Practical Education Preparation) (Ends 3-1-83)	Feasibility study and Project Implementation Plan for off-Reservation Group Moves	98,000	Monthly Written Report, On-Site Monitoring Visit
Navajo Engineering & Construction Authority	Job Training Project	87,500	Monthly Written Report
Navajo Relocation Planning Group	Training Project	3,000	Completion of training follow-up evaluation report.

*A two-phase audit system has also been established for the Discretionary Funds projects. Interim audits will be made in association with requests for reprogramming of the approved budget amount, requests for an increase in total project funding, possible problem areas. A post-performance audit will be made at the completion of each project. This audit will review all expenditures to verify their authenticity and category of expense, and to determine that all project fund have been accounted for.

Because we are in the early stages of implementation it is difficult to pinpoint how much private investment has been attracted, although the training projects would be indirectly providing private investment at this point in time.

QUESTION 15 Can you provide us with some concrete examples as to how the discretionary fund grants have directly contributed to the relocation effort?

RESPONSE Winslow Community Counseling Center - located in Winslow, Arizona, which is the second most impacted off-reservation host community. Project is providing job skills to relocatees through various vocational training programs and coordinating this training with their move.

Coalmine Mesa Chapter Project - Most of the residents of this chapter are affected by Public Law 93-531. Project is providing pre-move counseling to families and identifying groups of households who would participate in a group move, thus greatly reducing the trauma.

Northern Arizona University - Emergency Services Planning Project will provide the Commission as well as both tribes, an emergency services action plan which will identify needs, resources and procedures to coordinate such services on the former Joint Use Area.

QUESTION 16 The Senate Report accompanying the fiscal year 1983 appropriation bill directed the Commission to include the cost of water and waste disposal systems within the regular housing benefit. Has that directive been implemented?

RESPONSE The Committee directive has been implemented. Beginning in October 1981, the cost of water and waste disposal systems were included within the regular housing benefit, over a year prior to the Senate Report.

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